

**BASIC FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTAL INFORMATION,  
SUPPLEMENTARY INFORMATION, AND SCHEDULE OF FINDINGS  
CITY OF HAWARDEN, IOWA  
FOR THE  
FISCAL YEAR ENDED JUNE 30, 2016**

**Prepared by  
Office of the City Clerk  
Gary Tucker, City Administrator/City Clerk  
and Pam Wakeman, Director of Finance**

**CITY OF HAWARDEN  
BASIC FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTAL INFORMATION, AND  
SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016  
TABLE OF CONTENTS**

	<b>Page</b>
Directory of City Officials .....	1
Independent Auditors' Report .....	2 – 3
Management's Discussion and Analysis .....	4 – 13
<b>GOVERNMENT-WIDE FINANCIAL STATEMENTS</b>	
Statement of Net Position .....	14
Statement of Activities .....	15 – 16
<b>FUND FINANCIAL STATEMENTS</b>	
<b>Governmental Funds Financial Statements</b>	
Balance Sheet.....	17 – 18
Reconciliation of the Balance Sheet to the Statement of Net Position .....	19
Statement of Revenues, Expenditures and Changes in Fund Balances .....	20 – 21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities.....	22
<b>Proprietary Funds Financial Statements</b>	
Combining Statement of Net Position.....	23 – 24
Combining Statement of Revenues, Expenses and Changes in Net Position .....	25 – 26
Combining Statement of Cash Flows .....	27 – 30
<b>Fiduciary Funds Financial Statements</b>	
Statement of Fiduciary Net Position .....	31
Statement of Changes in Fiduciary Net Position .....	32
Notes to Financial Statements .....	33 – 58
<b>Required Supplementary Information</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – Total Reporting Entity.....	59 – 62
Post Employment Healthcare Benefits Schedule of Funding Progress .....	63
Schedule of the City's Proportionate Share of the Net Pension Liability .....	64
Schedule of the City's Contributions.....	65
Schedule of Changes in Net Pension Liability and Related Ratios (PRS).....	66
Schedule of Contributions (PRS).....	67
Notes to Required Supplementary Information – Pension Liability .....	68 – 69

**HAWARDEN, IOWA  
BASIC FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTAL INFORMATION, AND  
SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016  
TABLE OF CONTENTS**

***FINANCIAL SECTION – (CONTINUED)***

	<b>Page</b>
<hr/>	
<b>Other Supplementary Information</b>	
<b>Governmental Non-Major Funds Combining Financial Statements</b>	
Balance Sheet.....	70 – 71
Statement of Revenues, Expenditures and Changes in Fund Balances.....	72 – 73
<b>Fiduciary Funds Combining Financial Statements</b>	
Statement of Net Position .....	74
Statement of Changes in Assets and Liabilities .....	75
Schedule of Findings .....	76 – 77
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	78 – 79

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**CITY OF HAWARDEN, IOWA**  
**Directory of City Officials**  
**June 30, 2016**

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**Elected City Officers**

Ricard R. Porter – Mayor (2019)

**Council Members:**

Payne Allen (2017)  
Monte Harvey (2017)  
Timothy Kurth (2017)  
John Feldhacker (2019)  
Travis Olson (2019)

**Hospital Trustees:**

Matt Hummel (2019)  
Kathy Jacobs (2019)  
Dennis Hulshof (2017)  
Stan Hoekstra (2017)  
Jim Feldhacker (2019)

**Appointed City Officers**

Gary Tucker – City Administrator/City Clerk/Telecommunications Director  
Pam Wakeman – Director of Finance  
Jim Pickner – City Attorney  
Tom Kane – Director of Public Works  
Mike DeBruin – Chief of Police  
Lori Juhlin – Librarian

**Appointed Boards and Commissions**

**Library Board of Trustees:**

Larry Gregg - President  
Kay Scroggs - Vice President  
Terri Kallsen  
David Pusey  
Denny Peters

**Planning and Zoning Commission**

Carol Frerichs - Chairman  
Mike Wiggins - Vice Chairman  
Lloyd Strong, Jr.  
Jerry Jensen  
Terry Shea

**Board of Zoning Adjustment:**

Jack Andela - Chairman  
Julie Miller – Vice Chairman  
John Eilts  
Bob Brewington  
Vacancy

**Park Board:**

Duane Schiefen  
Jerrod Lynott  
Elaine Kane  
John Blankenship



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## INDEPENDENT AUDITORS' REPORT

The Mayor and Members of the  
City Council  
City of Hawarden, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the CITY OF HAWARDEN, IOWA (the City), as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Hawarden Regional Healthcare, (a discretely presented component unit), which statements reflect total assets and deferred outflows of \$16,625,298 and total program revenues of \$8,914,114 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for Hawarden Regional Healthcare, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, based on our audit, and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the discretely presented component unit of the City of Hawarden, Iowa as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, OPEB Schedule of Funding Progress, Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City's Contributions to Iowa Public Employees' Retirement System be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hawarden's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated March 10, 2017, on our consideration of the City of Hawarden's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hawarden's internal control over financial reporting and compliance.

*Williams & Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
March 10, 2017

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2016**

As management of the City of Hawarden, we offer readers of the City of Hawarden's financial statements this narrative overview and analysis of the financial activities of the City of Hawarden for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information contained within the City's financial statements that follow this report, as well as the separately issued financial statements of the Hawarden Community Hospital, a discretely presented component unit of the City.

### **Financial Highlights**

- The assets of the City of Hawarden exceeded liabilities at June 30, 2016 by \$17,220,729. Of this amount, \$5,277,535 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position increased \$360,619 during the year. Of this amount, the assets of our Governmental Activities increased \$303,636 and the assets of our Business-Type Activities increased \$56,983.
- The City's long-term debt reflected a significant decrease of \$553,598 as a result of debt repayment and no additional debt obligations in 2016. Outstanding General Obligation debt totals \$1,886,271. Outstanding Revenue Bond Debt totals \$5,680,000.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City of Hawarden's basic financial statements which consist of a series of financial statements comprised of three components: 1) The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. 2) Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government. 3) An additional part of the basic financial statements are the Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

## REPORTING THE CITY AS WHOLE

### The Statement of Net Position and the Statement of Activities

The government-wide statements report information about the City as a whole using accounting methods similar to those used by the private sector companies. The Statement of Net Position includes all of the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenue and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is very similar to the method of accounting used by the private-sector companies. These two statements report the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. Additional factors, such as changes in the City's property tax base and sales tax collections and condition of the City's infrastructure, are also important in making this determination.

In the Statement of Net Position and the Statement of Activities, we have divided the City into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, such as Police, Fire, Ambulance, Public Works, Parks, and Recreation departments, and general administration. Property Taxes, charges for services, state and federal grants finance most of these activities.
- **Business Type Activities** – The City charges fees to customers to cover the cost of these services. Included here are the City Electric, Water, Sewer, Natural Gas, City Telephone, and Cable/High Speed Internet.

## REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show that it is properly using certain revenues (such as Sales Tax Revenues). The City has the following types of funds:

- **Governmental Funds** – Most of the City's basic services are included in Governmental Funds, which focus on how money moves into and out of these



funds and the balances left at year-end are available for spending. These funds are reported using a modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the City's general governmental operations and basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship between Governmental Activities (reported in the Statement of Net Position and the Statement of Activities) and the Governmental Funds in a reconciliation following each Governmental Fund financial statement.

- **Proprietary Funds** – When the City charges customers for the service it provides, these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The major difference between the Proprietary Funds report and the Business Type Activities report in the government-wide statements is the detail and additional information, such as cash flows, provided in the Proprietary Funds report.

## **THE CITY AS TRUSTEE**

### **Reporting the City's Fiduciary Responsibilities**

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found behind the Fiduciary Funds statements.

## **THE CITY AS A WHOLE**

As stated earlier, net position may serve over time as a useful indicator of a government's financial position. The largest part of the City's net position reflects its investment in capital assets (land, buildings and improvements, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from the other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

For the year ended June 30, 2016, net position changed as follows:

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$4,768,040	\$4,538,560	\$5,173,817	\$6,646,869	\$9,941,857	\$11,185,429
Capital Assets	9,731,317	9,872,590	7,842,822	6,453,503	17,574,139	16,326,093
Total Assets	14,499,357	14,411,150	13,016,639	13,100,372	27,515,996	27,511,522
Deferred Outflows of Resources	153,647	183,620	126,151	46,767	279,798	230,387
Total Deferred Outflows of Resources	153,647	183,620	126,151	46,767	279,798	230,387
Long-term Liabilities Outstanding	2,494,060	2,736,221	5,879,501	6,042,242	8,373,561	8,778,463
Other Liabilities	150,415	187,289	719,403	588,261	869,818	775,550
Total Liabilities	2,644,475	2,923,510	6,598,904	6,630,503	9,243,379	9,554,013
Deferred Inflows of Resources	1,307,485	1,273,852	24,201	53,934	1,331,686	1,327,786
Total Deferred Inflows of Resources	1,307,485	1,273,852	24,201	53,934	1,331,686	1,327,786
Net Position:						
Net Investment in Capital Assets,	7,829,103	7,655,931	2,639,979	2,413,400	10,469,082	10,069,331
Restricted	971,036	793,914	503,076	486,548	1,474,112	1,280,462
Unrestricted	1,900,905	1,947,563	3,376,630	3,562,754	5,277,535	5,510,317
Total Net Position	\$10,701,044	\$10,397,408	\$6,519,685	\$6,462,702	\$17,220,729	\$16,860,110

The government's net position increased by \$360,619 during the fiscal year. Reasons for the increase of the government's net position are increased property tax revenues, improved operational efficiencies with decreases in operating expenses. This summary reflects an increase of total net position by 2.92% for the Governmental Activities and an increase of 0.88% in the Business-Type Activities.

Total Revenue and Expenses and changes in Net Position reported in fiscal year 2016 as compared to fiscal year 2015 are shown in the chart below.

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for Services	\$ 448,083	\$ 414,528	\$ 5,138,025	\$ 5,085,062	\$ 5,586,108	\$ 5,499,590
Operating Grants & Contributions	349,369	395,678	-	-	349,369	395,678
Capital Grants & Contributions	56,220	377,291	-	-	56,220	377,291
General Revenues:						
Property Taxes	1,065,971	1,046,202			1,065,971	1,046,202
Other Taxes	321,722	320,359			321,722	320,359
Other	107,004	25,722	32,237	147,911	139,241	173,633
Total Revenues	\$ 2,348,369	\$ 2,579,780	\$ 5,170,262	\$ 5,232,973	\$ 7,518,631	\$ 7,812,753

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Expenses:						
General Government	\$ 113,452	\$ 163,782	\$ -	\$ -	\$ 113,452	\$ 163,782
Public Safety	732,352	633,700	-	-	732,352	633,700
Public Works	530,424	570,628	-	-	530,424	570,628
Health & Welfare	323,017	321,654	-	-	323,017	321,654
Culture & Recreation	526,236	440,537	-	-	526,236	440,537
Community and Economic Development	97,640	92,213	-	-	97,640	92,213
Debt Service	65,612	93,250	-	-	65,612	93,250
Water Utility	-	-	309,927	460,247	309,927	460,247
Waste Water Utility	-	-	328,179	304,458	328,179	304,458
Electric Utility	-	-	1,940,180	1,920,984	1,940,180	1,920,984
Gas Utility	-	-	686,549	841,188	686,549	841,188
Solid Waste Utility	-	-	166,931	156,823	166,931	156,823
Telephone Utility	-	-	574,204	515,920	574,204	515,920
Cable/Internet Utility	-	-	763,309	589,756	763,309	589,756
Total Expenses	2,388,733	2,315,764	4,769,279	4,789,376	7,158,012	7,105,140
Increase (Decrease) in Net Position, Before Transfers	(40,364)	264,016	400,983	443,597	360,619	707,613
Transfers	344,000	374,000	(344,000)	(374,000)	-	-
Increase (Decrease) in Net Position	303,636	638,016	56,983	69,597	360,619	707,613
Net Position, July 1	10,397,408	9,759,392	6,462,702	6,525,454	16,860,110	16,892,800
Net Position, June 30	\$ 10,701,044	\$ 10,397,408	\$ 6,519,685	\$ 6,462,702	\$ 17,220,729	\$ 16,860,110

Program revenues totaled \$5,991,697 for fiscal year 2016 compared to \$6,272,559 for fiscal year 2015. Governmental Activities provided \$853,672 and Business-Type Activities provided \$5,138,025. Revenue collected for Charges for Services during fiscal year 2016 was \$5,586,108 accounting for 93.2% of the total program revenues.

General Revenues for fiscal year 2016 totaled \$1,526,934. Governmental Activities provided \$1,494,697 and Business-Type Activities provided \$32,237. Property Tax Revenues for fiscal year 2016 totaled \$1,065,971 accounting for 69.8% of General Revenues.

Expenses for fiscal year 2016 totaled \$7,158,012. Expenses for General Governmental Activities totaled \$2,388,733, accounting for 33.4% of total expenses. Business-Type Activity expenses totaled \$4,769,279, for 66.6% of the total.

The following table shows the activities included within each program level:

<u>Program Level</u>	<u>Activity</u>
Public Safety .....	Individual & Community Protection, Physical Health
Public Works .....	Roadway Construction, Airport Operations, Street Lighting, Transportation Services
Culture and Recreation .....	Education & Culture, Leisure Time Opportunities

<b><u>Program Level</u></b>	<b><u>Activity</u></b>
Community and Economic Development.....	Economic Development, Community Beautification, Planning and Zoning
General Government .....	Administration, Support Services
Debt Service.....	Payment of Principal and Interest
Capital Projects .....	Construction of Capital Facilities
Water System.....	Operation of Water Treatment Plant/Supply Distribution System
Sewer System .....	Operation of the Waste Water Treatment Plant/Collection System
Electric System .....	Operation of Electric Distribution System
Natural Gas Utility .....	Operation of Natural Gas Distribution System
Solid Waste Utility .....	Oversight of Solid Waste Contract/Closed Landfill
Telephone Utility .....	Operation of Telephone Communication System
Cable/Internet Utility .....	Operation of Cable/Internet System

### **Governmental Activities**

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, for Public Safety, the City spent \$732,352 and received \$269,168 in revenue, thus leaving a cost to the taxpayer of \$463,184 to be funded by various methods. The format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

Public Safety	Fines, Fees
Culture and Recreation	Fees, Donations, Grants
General Government	Licenses, Permits

The total cost of governmental activities this year was \$2,388,733. Of these costs, \$448,083 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contributions were \$405,589, leaving a Net Expense of \$1,535,061 for Governmental Activities. These expenses were covered with tax revenues, interest and other general revenues. The Statement of Activities in the financial statements provides further detail.

Total resources available during the year to finance governmental operations were \$13,089,777, consisting of Net Position at July 1, 2015 of \$10,397,408, Program Revenues of \$853,672 and General Revenues and transfers of \$1,838,697. Total Governmental Activities during the year expended \$2,388,733; thus, Net Position increased by \$303,636, to \$10,701,044.

## **Business-Type Activities**

Business-Type Activities increased the City's net position by \$56,983.

The cost of all Proprietary Activities this year was \$4,769,279. As shown in the Statement of Activities, the amount paid by users of the systems was \$5,138,025, resulting in total Net Revenue for Business-Type Activities of \$368,746.

Total resources available during the year to finance Proprietary Fund activities were \$11,252,078 consisting of Net Position at July 1, 2015 of \$6,462,702, Program Revenues of \$5,138,025 and General Revenues and transfers of (\$311,763). Total Proprietary Fund Activities during the year expended \$4,769,279; thus Net Position increased by \$56,983 to \$6,519,685.

## **Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of the government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances of \$2,130,682. The combined Governmental Funds balance increased \$283,961 from the prior year.

The General Fund is the primary operating fund of the City. During the year, revenues were greater than expenditures in the General fund by \$53,756. This is a decrease from fiscal year 2015 when the General fund increased by \$105,882. The smaller increase in fiscal year 2016 is due to an increase in various road repair expenditures. The TIF Fund saw a \$115,526 increase in its fund balance, due mainly to decreases in project debt. The Debt Service Fund saw little change as was expected, with the scheduled receipts, transfers and payments being made.

## Budgetary Highlights

The following table shows the budget variances by program expenditure structure:

	Amended Budget	Actual Expenditures	Variance
Public Safety	\$683,851	\$648,267	\$ 35,584
Public Works	393,476	344,671	56,399
Culture and Recreation	484,024	468,422	15,602
Community and Economic Development	101,212	96,108	5,104
General Government	345,548	86,731	258,817
Health and Social Services	325,000	321,722	3,278
Debt Service	375,220	381,846	(6,626)
Capital Projects	9,400	-	9,400
Business Type Activities	17,282,629	13,215,723	4,066,906
Total Expenditures	\$20,000,360	\$15,563,490	\$4,436,870

Below is a brief recap of budget activity for the year:

- The total original revenue budget of \$17,972,071 was increased to \$18,997,288 (an increase of \$1,025,217). A substantial portion of this increase can be attributed to intergovernmental (hospital) increases and conservative budget estimates.
- Property Tax budgeted revenues exceeded actual revenues by \$324,799 due primarily to changes in assessed valuations, state backfill and conservative budget estimates.
- Intergovernmental revenue exceeded budgeted figures by \$556,669 which is primarily attributed to the substantial revenue increases in the hospital operation.
- Charges totaled \$14,039,352 which was \$2,975,183 less than the budgeted amount due primarily to hospital Medicare reimbursement variables.
- Contribution revenue exceeded budget figures by \$174,737.
- The total original expenditure budget of \$18,700,278 was increased to \$20,000,360 (an increase of \$1,300,082).
- The above amendments to budgets were related to appropriations for capital improvements, capital outlay and hospital revenues and expenses that are sensitive to Medicare reimbursements. Capital project expenditures included the electric underground project as well as other small projects. Expenditures fell below the revised budget projections by \$4,436,870. This is primarily due to careful attention to expenditures.

## **Capital Assets**

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2016, was \$10,469,082 (net of accumulated depreciation and outstanding financings) compared to \$10,069,331 as of June 30, 2015. The increase can be accounted for by several large infrastructure projects such as the electric underground project, new telephone head end equipment, and becoming an internet provider. See Note 4 to the financial statements for more information on the City's capital assets.

## **DEBT ADMINISTRATION**

At year-end, the City had \$7,566,271 of debt outstanding which is a \$553,598 decrease from last year. This decrease is a result of making scheduled debt payments on capital improvement projects which included an ongoing conversion of our overhead to underground electric project, street improvements and telephone/cable/internet system upgrades. Debt administration is on track for all City debt to be repaid within twenty years. This aggressive repayment schedule, combined with the use of TIF revenue for debt repayment, has allowed the City to maintain a good credit rating which reflects well on our community.

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt Outstanding to 5% of the assessed value of all taxable property in the community. Thus, our debt capacity is \$4,429,294. With outstanding General Obligation Debt applicable to this limit of \$1,886,271, we are utilizing 42.6% of this limit. More detailed information on debt administration is provided in Note 5 of the financial statements.

## **ECONOMIC FACTORS**

The City of Hawarden continues to maintain a progressive approach to growth and community development. During fiscal year 2016 work proceeded on utility infrastructure and capital projects as scheduled.

Economically, the City works hard to attract new businesses and industry, while maintaining the quality of life residents have come to expect and enjoy. The following are a few examples of these efforts: Coilcraft purchased the old Staples building and continues to expand their operation. Superior Farms has expanded their pet treat operations in Hawarden and continue to add employees. The Spec Building was sold in January of 2016 and now houses a new business. There have been several new retail businesses open in fiscal year 2016. The City completed a resurfacing project on 16<sup>th</sup> Street from Ave. E to K18 in fiscal year 2015 and is planning to resurface Ave. L in fiscal year 2018-19.

In business and industry recruitment, the City of Hawarden's Community Development Committee continues to work on business recruitment and retention. Furthermore, they will focus on marketing Hawarden through various means both internally (the community) and externally (surrounding communities and/or potential businesses). The City of Hawarden continues to expand its comprehensive marketing campaign by various means with which to promote Hawarden in a professional light as well as brand the community's name to decision-makers around the world.

Hawarden as a community continues to provide excellent medical care through two clinics and the Hawarden Community Hospital. The Hospital continues construction on a major expansion/renovation project which should be completed within the next 12-18 months and have received an \$8.8M loan commitment from USDA/RD to finance the project. We are also fortunate to have an excellent nursing home and two assisted living centers in our community. The Family First Dental Clinic offers excellent dental care for the community.

Beautification projects continue to be a priority for the community. The City of Hawarden has been committed to a Walking Trail Project that will eventually surround the entire city. This will enhance the health and wellness of our citizens who do a great deal of walking, and also provide a much safer place for citizens to walk and get exercise. A new digital sign has been constructed at the corner of 10<sup>th</sup> and Central Avenue as another form of marketing events in our community. The City of Hawarden continues their beautification efforts through enforcement of its Property Maintenance Code.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gary Tucker at 712-551-2565.



CITY OF HAWARDEN, IOWA  
STATEMENT OF NET POSITION  
JUNE 30, 2018

	Primary Government		Total	Component Unit
	Governmental Activities	Business-Type Activities		Hawarden Regional Healthcare
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,444,971	\$ 3,877,984	\$ 6,322,955	\$ 2,043,329
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	52,803	149,832	202,635	1,475,160
Taxes	23,436	-	23,436	-
Subsequent Year Taxes	1,124,389	-	1,124,389	-
Accrued Interest	198	2,467	2,665	-
Other	-	-	-	279,189
Estimated Unbilled Usage	-	256,838	256,838	-
Special Assessments	317,118	8,235	325,353	-
Pledges Receivable	-	-	-	642,925
Notes Receivable	222,836	-	222,836	-
Internal Balances	305,810	(305,810)	-	-
Due from Other Governmental Agencies	82,349	-	82,349	235,317
Inventories	-	513,112	513,112	111,933
Prepaid Assets	59,314	54,480	113,794	111,449
Investment in Joint Venture	-	36,437	36,437	-
Restricted Assets:				
Cash and Cash Equivalents - Board Restricted	-	-	-	1,687,368
Cash and Cash Equivalents - Donor Restricted	134,816	-	134,816	9,237
Cash and Cash Equivalents - Bond Reserve	-	518,319	518,319	-
Customer Deposits	-	61,923	61,923	-
Land	363,031	56,094	419,125	172,313
Construction in Progress	-	1,700,781	1,700,781	6,899,714
Infrastructure, Property and Equipment, Net of Accumulated Depreciation (Note 4)	9,368,286	6,085,947	15,454,233	1,382,147
Other assets	-	-	-	5,982
<b>Total Assets</b>	<b>14,499,357</b>	<b>13,016,639</b>	<b>27,515,996</b>	<b>15,056,043</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Related Deferred Outflows	153,647	126,151	279,798	1,055,713
Intangible asset, net	-	-	-	513,542
<b>Total Deferred Outflows of Resources</b>	<b>153,647</b>	<b>126,151</b>	<b>279,798</b>	<b>1,569,255</b>
<b>LIABILITIES</b>				
Accounts Payable	77,279	583,453	660,732	937,579
Accrued Wages	66,067	38,920	104,987	287,709
Accrued Expenses	204	9,622	9,826	133,782
Due to Other Governments	-	6,792	6,792	-
Accrued Interest Payable	6,865	-	6,865	-
Payables from Restricted Assets:				
Customer Deposits	-	65,373	65,373	-
Accrued Revenue Bond Interest	-	15,243	15,243	-
Long-Term Liabilities:				
Due within one year:				
Revenue Bonds Payable	-	250,000	250,000	-
General Obligation Bonds	323,595	-	323,595	-
Notes Payable	-	-	-	166,160
Compensated Absences	6,572	8,630	15,202	-
Due in more than one year:				
Revenue Bonds Payable	-	5,415,530	5,415,530	-
General Obligation Bonds	1,578,619	-	1,578,619	-
Notes Payable	-	-	-	4,932,227
Compensated Absences	26,286	34,852	61,138	-
Net Pension Liability	545,742	170,489	716,231	2,183,699
Estimated Other Post Employment Benefit Obligations	13,246	-	13,246	-
<b>Total Liabilities</b>	<b>2,644,475</b>	<b>6,598,904</b>	<b>9,243,379</b>	<b>8,641,156</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue- subsequent year taxes	1,124,389	-	1,124,389	-
Pension Related Deferred Inflows	183,096	24,201	207,297	508,465
Deferred Grant Revenue	-	-	-	180,035
<b>Total Deferred Inflows of Resources</b>	<b>1,307,485</b>	<b>24,201</b>	<b>1,331,686</b>	<b>688,500</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	7,829,103	2,639,979	10,469,082	3,355,787
Restricted for:				
Specific Revenues	804,272	-	804,272	-
Revenue Bonds	-	503,076	503,076	-
Endowments:				
Expendable	31,819	-	31,819	1,780,857
Nonexpendable	134,945	-	134,945	-
Unrestricted	1,900,905	3,376,630	5,277,535	2,158,998
<b>Total Net Position</b>	<b>\$ 10,701,044</b>	<b>\$ 6,519,685</b>	<b>\$ 17,220,729</b>	<b>\$ 7,295,642</b>

**CITY OF HAWARDEN, IOWA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2016**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 732,352	\$ 254,579	\$ -	\$ 14,589
Public Works	530,424	66,000	312,148	-
Health and Social Services	323,017	-	-	-
Culture and Recreation	526,236	66,515	37,221	31,299
Community and Economic Development	97,640	-	-	10,332
General Government	113,452	60,989	-	-
Interest Expense	65,612	-	-	-
Total governmental activities	<u>2,388,733</u>	<u>448,083</u>	<u>349,369</u>	<u>56,220</u>
Business-Type Activities:				
Water Utility	309,927	319,607	-	-
WasteWater Treatment Utility	328,179	281,891	-	-
Electric Utility	1,940,180	2,355,932	-	-
Gas Utility	686,549	760,436	-	-
Solid Waste Utility	166,931	176,596	-	-
Telephone Utility	574,204	430,056	-	-
Cable/Internet Utility	763,309	813,507	-	-
Total Business-Type Activities:	<u>4,769,279</u>	<u>5,138,025</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 7,158,012</u>	<u>\$ 5,586,108</u>	<u>\$ 349,369</u>	<u>\$ 56,220</u>
Component Unit:				
Hawarden Regional Healthcare	<u>\$ 8,388,329</u>	<u>\$ 8,448,562</u>	<u>\$ 338,528</u>	<u>\$ 127,024</u>

General Revenues:  
Property taxes  
Local Option Sales Tax  
Interest  
Commercial/ Industrial Tax Replacement  
Sale of Uncapitalized Assets  
Miscellaneous  
Interfund Transfers  
Total general revenues and transfers  
Change in net position  
Net Position - beginning  
Net Position - ending

Net (Expense) Revenue and Changes in Net Position			Component Unit Hawarden Regional Healthcare
Governmental Activities	Business-Type Activities	Total	
\$ (463,184)		\$ (463,184)	
(152,276)		(152,276)	
(323,017)		(323,017)	
(391,201)		(391,201)	
(87,308)		(87,308)	
(52,463)		(52,463)	
(65,612)		(65,612)	
(1,535,061)		(1,535,061)	
-	\$ 9,680	9,680	
-	(46,288)	(46,288)	
-	415,752	415,752	
-	73,887	73,887	
-	9,665	9,665	
-	(144,148)	(144,148)	
-	50,198	50,198	
-	368,746	368,746	
(1,535,061)	368,746	(1,166,315)	
			\$ 525,785
1,065,971	-	1,065,971	-
321,722	-	321,722	-
11,571	22,460	34,031	10,606
38,029	-	38,029	-
42,115	-	42,115	-
15,289	9,777	25,066	-
344,000	(344,000)	-	-
1,838,697	(311,763)	1,526,934	10,606
303,636	56,983	360,619	536,391
10,397,408	6,462,702	16,860,110	6,759,251
\$ 10,701,044	\$ 6,519,685	\$ 17,220,729	\$ 7,295,642

**CITY OF HAWARDEN, IOWA**  
**BALANCE SHEET**  
**Governmental Funds**  
**JUNE 30, 2016**

	General	TIF
<b>Assets</b>		
Cash and Cash Equivalents	\$ 256,356	\$ 593,075
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	52,803	-
Taxes	6,486	12,610
Subsequent Year Taxes	384,513	497,285
Accrued Interest	-	-
Special Assessments	-	-
Notes Receivable	-	-
Due from Other Funds	405,202	-
Due from Other Governmental Agencies	6,219	-
Prepaid Assets	59,314	-
Restricted Assets:		
Donor Restricted Investments	-	-
Total Assets	<u>1,170,893</u>	<u>1,102,970</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>		
<b>Liabilities:</b>		
Accounts Payable	24,844	-
Accrued Wages and Compensated Absences	66,067	-
Accrued Expenses	204	-
Advance from Other Funds	-	401,041
Total Liabilities	<u>91,115</u>	<u>401,041</u>
<b>Deferred Inflows of Resources</b>		
Unavailable Revenue- subsequent year taxes	384,513	497,285
Unavailable Revenue- delinquent property taxes	2,101	10,083
Unavailable Revenue- special assessments	-	-
Total Deferred Inflows of Resources	<u>386,614</u>	<u>507,368</u>
<b>Fund Balances (Deficits):</b>		
<b>Nonspendable:</b>		
Prepaid expenditures	59,314	-
Library Endowment	-	-
<b>Restricted for:</b>		
Debt Service	-	-
Road Surface Repairs	-	-
Employee Benefits	-	-
Revolving Loan Fund	-	-
Low-Moderate Income Project	-	-
Library Endowment	-	-
Tax Increment Financing	-	194,561
<b>Assigned for:</b>		
Capital Improvement	-	-
Mapping	-	-
Capital Improvement and Facilities	-	-
Unassigned:	633,850	-
Total Fund Balances	<u>693,164</u>	<u>194,561</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,170,893</u>	<u>\$ 1,102,970</u>

Debt Service	Non-major Governmental Funds	Total Governmental Funds
\$ 190	\$ 934,425	\$ 1,784,046
-	-	52,803
1,919	2,421	23,436
93,561	149,030	1,124,389
-	198	198
-	317,118	317,118
-	147,032	147,032
-	-	405,202
-	76,130	82,349
-	-	59,314
-	134,816	134,816
95,670	1,761,170	4,130,703
-	52,435	77,279
-	-	66,067
-	-	204
-	-	401,041
-	52,435	544,591
93,561	149,030	1,124,389
922	817	13,923
-	317,118	317,118
94,483	466,965	1,455,430
-	-	59,314
-	134,945	134,945
1,187	-	1,187
-	129,910	129,910
-	14,733	14,733
-	459,911	459,911
-	5,157	5,157
-	31,819	31,819
-	-	194,561
-	59,934	59,934
-	2,960	2,960
-	402,401	402,401
-	-	633,850
1,187	1,241,770	2,130,682
\$ 95,670	\$ 1,761,170	\$ 4,130,703

**CITY OF HAWARDEN, IOWA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2016**

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Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance - Governmental Funds (page 18)			\$ 2,130,682
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds.			8,885,263
Internal service funds are used by management to acquire the capital equipment which is provided to user departments and are included in the statement of net position.			1,884,432
Deferred property tax revenues and special assessments that provide current financial resources for governmental activities.			331,041
Accrued expenses from the balance sheet that require current financial resources for governmental activities.			(6,865)
Accrued compensated absences not reported on the modified accrual basis.			(32,858)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			(1,902,214)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:			
	Deferred Outflows of Resources	153,647	
	Deferred Inflows of Resources	<u>(183,096)</u>	(29,449)
Other Post Employment Benefit Liabilities, and Net Pension Liabilities are not due and payable in the current period and therefore are not reported in the funds.			<u>(558,988)</u>
Total Net Position - Governmental Activities (page 14)			<u><u>\$ 10,701,044</u></u>

**CITY OF HAWARDEN, IOWA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**

	<b>General</b>	<b>TIF</b>
Revenue:		
Taxes	\$ 346,071	\$ 494,730
Special Assessments	-	-
Licenses and Permits	25,115	-
Intergovernmental Revenue	71,817	11,653
Charges for Services	289,909	-
Fines and Forfeits	14,894	-
Contributions	30,312	-
Refunds/Reimbursements	15,289	-
Rental Income	35,874	-
Interest	1,940	1,640
Miscellaneous	7,518	-
Total Revenue	<u>838,739</u>	<u>508,023</u>
Expenditures:		
Public Safety	636,062	-
Public Works	305,077	388
Health and Social Services	-	-
Culture and Recreation	460,349	-
Community and Economic Development	33,480	62,628
General Government	86,731	-
Debt Service	-	6,869
Total Expenditures	<u>1,521,699</u>	<u>69,885</u>
Excess (deficiency) of revenues over expenditures	<u>(682,960)</u>	<u>438,138</u>
Other financing sources (uses):		
Proceeds from Sale of Uncapitalized Assets	20,495	21,621
Transfers In	721,471	23,736
Transfers Out	(5,250)	(367,969)
Total other financing sources (uses)	<u>736,716</u>	<u>(322,612)</u>
Net Change in Fund Balance	53,756	115,526
Fund balances - beginning of year	<u>639,408</u>	<u>79,035</u>
Fund balances - end of year	<u>\$ 693,164</u>	<u>\$ 194,561</u>

	Debt Service	Non-major Governmental Funds	Total Governmental Funds
\$	93,298	\$ 128,687	\$ 1,062,786
	-	7,628	7,628
	-	-	25,115
	3,877	639,968	727,315
	-	-	289,909
	-	-	14,894
	-	17,401	47,713
	-	-	15,289
	-	-	35,874
	65	7,926	11,571
	-	-	7,518
	97,240	801,610	2,245,612
	-	12,205	648,267
	-	39,206	344,671
	-	321,722	321,722
	-	8,073	468,422
	-	-	96,108
	-	-	86,731
	374,977	-	381,846
	374,977	381,206	2,347,767
	(277,737)	420,404	(102,155)
	-	-	42,116
	276,139	143,000	1,164,346
	-	(447,127)	(820,346)
	276,139	(304,127)	386,116
	(1,598)	116,277	283,961
	2,785	1,125,493	1,846,721
\$	1,187	\$ 1,241,770	\$ 2,130,682



**CITY OF HAWARDEN, IOWA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2016**

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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 21)		\$	283,961
Governmental funds report capital outlay, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense exceeded capital outlay in the current year as follows:			
Expenditures for capital assets	\$	49,367	
Depreciation expense		<u>(332,972)</u>	(283,605)
Revenues reported in the funds that are not available to provide current financial resources			(4,443)
Accrued interest expense that does not require current financial resources			1,789
Internal service funds are used by management to fund and maintain the City's insurance policies provided to user departments and for the maintenance, repair, and replacement of the City's automotive equipment and are included in the statement of net position. The net revenue of the internal service funds is reported with governmental activities.			
			65,084
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:			
Compensated absences		(1,106)	
Other post employment benefits		(1,516)	
Pension expense		<u>(70,973)</u>	(73,595)
The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net position. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was:			
			313,598
The effect of bond issuance premiums are shown in the governmental funds when new debt is issued, whereas, these amounts are deferred and accreted in the Statement of Activities			
			<u>847</u>
Change in net position of governmental activities (page 16)		\$	<u>303,636</u>

CITY OF HAWARDEN, IOWA  
COMBINING STATEMENT OF NET POSITION  
Proprietary Funds  
June 30, 2016

	Business Type Activities			
	Water Utility	Waste Water Treatment Utility	Electric Utility	Gas Utility
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ -	\$ 58,898	\$ 2,998,016	\$ 573,975
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	31,417	23,290	922	16,551
Accrued Interest	-	1,924	543	-
Estimated Unbilled Usage	34,032	21,012	176,263	14,682
Special Assessments	8,235	-	-	-
Notes Receivable	-	-	-	-
Due from Other Funds	-	-	7,324	133,250
Investment in Joint Venture	-	-	2,661	-
Advances to Other Funds	-	83,810	27,231	-
Inventories	23,395	-	275,810	49,587
Prepaid Assets	6,700	5,893	22,939	5,558
Non-Current Assets:				
Restricted Assets:				
Cash and Cash Equivalents - Bond Reserve	-	-	518,319	-
Customer Deposits	-	-	-	54,472
Land	33,873	130	-	6
Construction in Progress	-	-	1,700,781	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	577,837	453,553	4,109,033	62,578
<b>Total Assets</b>	<b>715,489</b>	<b>648,510</b>	<b>9,837,842</b>	<b>910,659</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Related Deferred Outflows	11,812	9,318	62,098	9,868
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	2,267	23,640	499,169	9,407
Accrued Wages	3,290	2,631	19,660	2,996
Accrued Expenses	33	258	7,395	1,326
Due to Other Funds	242,207	-	144,899	-
Due to Other Governments	-	-	-	-
Payables from Restricted Assets:				
Customer Deposits	-	-	-	54,472
Accrued Revenue Bond Interest	-	-	15,243	-
Noncurrent Liabilities:				
Due within one year:				
Revenue Bonds Payable	-	-	250,000	-
Compensated Absences	849	513	4,003	580
Due in more than one year:				
Revenue Bonds Payable	-	-	5,415,530	-
Net Pension Liability	20,359	15,189	74,335	16,813
Compensated Absences	3,493	1,298	16,014	3,309
<b>Total Liabilities</b>	<b>272,498</b>	<b>43,529</b>	<b>6,446,248</b>	<b>88,903</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension Related Deferred Inflows	4,945	3,371	6,064	4,016
<b>NET POSITION</b>				
Net Investment in Capital Assets	611,710	453,683	606,971	62,584
Restricted for:				
Revenue Bonds	-	-	503,076	-
Unrestricted	(161,852)	157,245	2,337,581	765,024
<b>Total Net Position</b>	<b>\$ 449,858</b>	<b>\$ 610,928</b>	<b>\$ 3,447,628</b>	<b>\$ 827,608</b>

Business Type Activities				Governmental
Telephone Utility	Cable/Internet Utility	Nonmajor	Total	Activities Internal Service
		Solid Waste Utility		
\$ -	\$ 177,499	\$ 71,596	\$ 3,877,984	\$ 660,925
19,216	44,836	13,600	149,832	-
-	-	-	2,467	-
-	-	10,849	256,838	-
-	-	-	8,235	-
-	-	-	-	75,804
-	-	-	140,574	11,649
-	-	33,776	36,437	-
-	-	-	111,041	290,000
90,368	73,952	-	513,112	-
7,276	5,193	921	54,480	-
-	-	-	518,319	-
7,451	-	-	61,923	-
-	-	22,085	56,094	-
-	-	-	1,700,781	-
568,215	314,731	-	6,085,947	846,054
692,526	616,211	152,827	13,574,064	1,884,432
23,127	9,928	-	126,151	-
2,824	35,390	10,756	583,453	-
7,277	3,066	-	38,920	-
327	252	31	9,622	-
170,319	-	-	557,425	-
6,792	-	-	6,792	-
7,451	3,450	-	65,373	-
-	-	-	15,243	-
-	-	-	250,000	-
1,874	811	-	8,630	-
-	-	-	5,415,530	-
27,159	16,634	-	170,489	-
7,496	3,242	-	34,852	-
231,519	62,845	10,787	7,156,329	-
1,939	3,866	-	24,201	-
568,215	314,731	22,085	2,639,979	846,054
-	-	-	503,076	-
(86,020)	244,697	119,955	3,376,630	1,038,378
\$ 482,195	\$ 559,428	\$ 142,040	\$ 6,519,685	\$ 1,884,432

**CITY OF HAWARDEN, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	Business Type Activities			
	Water Utility	Waste Water Treatment Utility	Electric Utility	Gas Utility
<b>Operating Revenues:</b>				
Charges for Services	\$ 319,607	\$ 281,891	\$ 2,355,932	\$ 760,436
<b>Total Operating Revenue</b>	<b>319,607</b>	<b>281,891</b>	<b>2,355,932</b>	<b>760,436</b>
<b>Operating Expenses:</b>				
Resale Purchases	-	-	1,120,087	362,717
Employee Services	80,709	65,847	186,147	68,513
Contract Services	88,795	103,090	160,223	148,982
Supplies	43,821	30,816	21,134	66,677
Repairs and Improvements	23,247	65,280	30,625	10,649
Utilities	13,224	41,752	-	-
Miscellaneous	647	413	18,148	7,130
Depreciation	59,484	20,981	201,124	21,881
<b>Total Operating Expenses</b>	<b>309,927</b>	<b>328,179</b>	<b>1,737,488</b>	<b>686,549</b>
<b>Operating Income (Loss)</b>	<b>9,680</b>	<b>(46,288)</b>	<b>618,444</b>	<b>73,887</b>
<b>Non-Operating Income (Expense):</b>				
Interest Income	-	4,483	14,559	1,638
Other Non-operating Revenues (Expenses)	4,147	36	(85,479)	593
Interest Expense	-	-	(117,213)	-
<b>Total Non-Operating Income (Expenses)</b>	<b>4,147</b>	<b>4,519</b>	<b>(188,133)</b>	<b>2,231</b>
<b>Income (Loss) Before Transfers</b>	<b>13,827</b>	<b>(41,769)</b>	<b>430,311</b>	<b>76,118</b>
<b>Transfers In</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transfers Out</b>	<b>(7,000)</b>	<b>(7,000)</b>	<b>(382,542)</b>	<b>(85,000)</b>
<b>Change in Net Position</b>	<b>6,827</b>	<b>(48,769)</b>	<b>47,769</b>	<b>(8,882)</b>
<b>Net Position - Beginning</b>	<b>443,031</b>	<b>659,697</b>	<b>3,399,859</b>	<b>836,490</b>
<b>Net Position - Ending</b>	<b>\$ 449,858</b>	<b>\$ 610,928</b>	<b>\$ 3,447,628</b>	<b>\$ 827,608</b>

Business Type Activities				Governmental Activities
Telephone Utility	Cable/Internet Utility	Nonmajor Solid Waste Utility	Total	Internal Service
\$ 430,056	\$ 813,507	\$ 176,596	\$ 5,138,025	\$ 162,856
430,056	813,507	176,596	5,138,025	162,856
39,751	408,163	151,777	2,082,495	-
70,469	63,583	-	535,268	-
292,525	199,264	15,154	1,008,033	-
57,470	30,165	-	250,083	-
70,009	40,116	-	239,926	5,352
14,309	-	-	69,285	-
7,130	2,877	-	36,345	-
17,097	19,141	-	339,708	143,686
568,760	763,309	166,931	4,561,143	149,038
(138,704)	50,198	9,665	576,882	13,818
1,065	523	192	22,460	5,266
(5,444)	4,704	297	(81,146)	46,000
-	-	-	(117,213)	-
(4,379)	5,227	489	(175,899)	51,266
(143,083)	55,425	10,154	400,983	65,084
91,271	105,274	-	196,545	-
(14,003)	(35,000)	(10,000)	(540,545)	-
(65,815)	125,699	154	56,983	65,084
548,010	433,729	141,886	6,462,702	1,819,348
\$ 482,195	\$ 559,428	\$ 142,040	\$ 6,519,685	\$ 1,884,432

CITY OF HAWARDEN, IOWA  
COMBINING STATEMENT OF CASH FLOWS  
Proprietary Funds  
For the Year Ended June 30, 2016

	Business Type Activities			
	Water Utility	Waste Water Treatment Utility	Electric Utility	Gas Utility
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Customers	\$ 299,643	\$ 276,360	\$ 2,342,148	\$ 757,154
Cash Received from Interfund Services Provided	-	-	-	-
Cash Paid to Suppliers for Goods and Services	(172,120)	(224,560)	(1,366,187)	(584,530)
Cash Paid to Employees for Services	(81,782)	(67,859)	(206,617)	(68,741)
Other Nonoperating Income/(Expense)	4,147	36	58,784	593
Net Cash Provided (Used) by Operating Activities	49,888	(16,023)	828,128	104,476
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition and Construction of Capital Assets	(151,224)	(35,243)	(906,442)	(10,763)
Special Assessment Receipts	87	-	-	-
Principal Paid on Notes and Bonds	-	-	(240,000)	-
Interest Paid on Notes and Bonds	-	-	(158,686)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(151,137)	(35,243)	(1,305,128)	(10,763)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>				
Operating Transfers to Other Funds	(7,000)	(7,000)	(382,542)	(85,000)
Operating Transfers From Other Funds	-	-	-	-
Advances to Other Funds	-	14,396	22,815	-
Due From (To) Other Funds	108,249	-	-	-
Net Cash Provided (Used) for Non-Capital Financing Activities	101,249	7,396	(359,727)	(85,000)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest and Dividends on Investments	-	4,851	15,159	1,638
Proceeds from Termination of Investment in Joint Venture	-	-	740,029	-
Net Cash Provided for Investing Activities	-	4,851	755,188	1,638
Net Increase (Decrease) in Cash and Cash Equivalents	-	(39,019)	(81,539)	10,351
Cash and Cash Equivalents at Beginning of Year	-	97,917	3,595,874	618,096
Cash and Cash Equivalents at End of Year	\$ -	\$ 58,898	\$ 3,514,335	\$ 628,447

Business Type Activities				Governmental Activities
Telephone Utility	Cable/Internet Utility	Nonmajor Solid Waste Utility	Total	Internal Service
\$ 438,385	\$ 794,412	\$ 175,872	\$ 5,083,974	\$ -
-	-	-	-	173,529
(469,902)	(685,262)	(166,537)	(3,669,098)	-
(77,607)	(63,577)	-	(566,183)	-
(5,444)	4,704	297	63,117	-
(114,568)	50,277	9,632	911,810	173,529
(340,117)	(134,338)	-	(1,578,127)	(286,018)
-	-	-	87	-
-	-	-	(240,000)	-
-	-	-	(158,686)	-
(340,117)	(134,338)	-	(1,976,726)	(286,018)
(14,003)	-	(10,000)	(505,545)	-
91,271	70,274	-	161,545	-
-	-	-	37,211	180,000
170,319	-	-	278,568	11,444
247,587	70,274	(10,000)	(28,221)	191,444
1,065	523	192	23,428	5,266
-	-	-	740,029	-
1,065	523	192	763,457	5,266
(206,033)	(13,264)	(176)	(329,680)	84,221
213,484	190,763	71,772	4,787,906	576,704
\$ 7,451	\$ 177,499	\$ 71,596	\$ 4,458,226	\$ 660,925

(Continued)

CITY OF HAWARDEN, IOWA  
COMBINING STATEMENT OF CASH FLOWS (Continued)  
Proprietary Funds  
For the Year Ended June 30, 2016

	Business Type Activities			
	Water Utility	Waste Water Treatment Utility	Electric Utility	Gas Utility
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ 9,680	\$ (46,288)	\$ 618,444	\$ 73,887
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	69,484	20,981	201,124	21,881
Amortization	-	-	7,222	-
Miscellaneous Non-Operating Income/(Expense)	4,147	36	58,784	593
(Increase) Decrease in Assets:				
Accounts Receivable	(10,341)	(2,742)	2,643	937
Estimated Unbilled Usage	(9,623)	(2,789)	(16,427)	2,162
Inventories	(2,400)	-	(26,858)	16,061
Prepaid Expenses	208	28	538	(20)
Increase (Decrease) in Liabilities				
Accounts Payable	539	16,537	17,482	(4,997)
Accrued Wages	385	369	2,708	169
Accrued Compensated Absences	97	(755)	71	989
Accrued Expenses	(733)	226	(14,354)	581
Net Pension Liability	6,322	5,050	35,574	5,295
Deferred Outflows of Resources	(5,222)	(4,558)	(43,900)	(4,460)
Deferred Inflows of Resources	(2,655)	(2,118)	(14,923)	(2,221)
Customer Deposits	-	-	-	(6,381)
Total Adjustments	40,208	30,265	209,684	30,589
Net Cash Provided (Used) by Operating Activities	\$ 49,888	\$ (16,023)	\$ 828,128	\$ 104,476

Reconciliation of Cash and Cash Equivalents  
to the Balance Sheet:

Cash and Cash Equivalents	\$ -	\$ 58,898	\$ 2,996,016	\$ 573,975
Customer Deposits	-	-	-	54,472
Restricted Cash and Cash Equivalents	-	-	518,319	-
	\$ -	\$ 58,898	\$ 3,514,335	\$ 628,447



Business Type Activities				Governmental
Telephone Utility	Cable/Internet Utility	Nonmajor Solid Waste Utility	Total	Activities Internal Service
\$ (138,704)	\$ 50,198	\$ 9,665	\$ 576,882	\$ 13,818
17,097	19,141	-	339,708	143,686
-	-	-	7,222	-
(5,444)	4,704	297	63,117	46,000
5,455	(22,545)	(304)	(26,897)	-
-	-	(420)	(27,097)	-
12,360	(6,581)	-	(7,418)	-
274	212	(84)	1,156	-
551	2,844	456	33,412	(29,975)
1,339	692	-	5,662	-
424	839	-	1,665	-
(1,893)	(1,152)	22	(17,303)	-
13,286	5,348	-	70,875	-
(16,614)	(4,630)	-	(79,384)	-
(5,573)	(2,243)	-	(29,733)	-
2,874	3,450	-	(57)	-
24,136	79	(33)	334,926	159,711
\$ (114,568)	\$ 50,277	\$ 9,632	\$ 911,810	\$ 173,529

\$ -	\$ 177,499	\$ 71,596	\$ 3,877,984	\$ 660,925
7,451	-	-	61,923	-
-	-	-	518,319	-
\$ 7,451	\$ 177,499	\$ 71,596	\$ 4,458,226	\$ 660,925

CITY OF HAWARDEN, IOWA  
STATEMENT OF FIDUCIARY NET POSITION  
Fiduciary Funds  
June 30, 2016

	Pension Trust Fund			
	Police Retirement Fund		Agency Funds	Total
<b>ASSETS</b>				
Cash and Pooled Investments	\$	4,148	\$ 103,920	\$ 108,068
<b>Total Assets</b>		4,148	103,920	108,068
<b>LIABILITIES</b>				
Accounts Payable		669	-	669
Due to Other Governments		-	103,920	103,920
<b>Total Liabilities</b>		669	103,920	104,589
<b>NET POSITION</b>				
Held in Trust for Pension Benefits		3,479	-	3,479
<b>Total Net Position</b>	\$	3,479	\$ -	\$ 3,479

**CITY OF HAWARDEN, IOWA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2016**

	<u>Pension Trust Fund</u>
	<u>Police Retirement Fund</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	<u>\$ 12,205</u>
Total Contributions	<u>12,205</u>
Investment Income:	
Interest, Dividends and Market Gain	<u>8</u>
Net Investment Income	<u>8</u>
Total Additions	<u>12,213</u>
<b>DEDUCTIONS</b>	
Pension Benefits	11,658
Miscellaneous Expenses	<u>600</u>
Total Deductions	<u>12,258</u>
Net Increase	(45)
Net Position-- Beginning of Period	<u>3,524</u>
Net Position -- End of Period	<u>\$ 3,479</u>

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2016**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Hawarden is a political subdivision of the State of Iowa located in Sioux County. It was first incorporated in 1887 and operates under the Mayor-Council form of government with the Mayor and Council elected on a non-partisan basis. The City administers the following programs under its charter: public safety, public works, health and social services, culture and recreation, community and economic development and general government. It also provides water, sewer, electric, sanitation utilities, telephone and cable/internet services.

The financial statements of the City of Hawarden have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, the City of Hawarden has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Hawarden (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its financial relationship with the City. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from their administrative offices.

Discretely Presented Component Unit – Hawarden Regional Healthcare is organized under Chapter 392 of the Code of Iowa and governed by a five member Board of Trustees elected for four year terms. The City of Hawarden annually provides significant operating subsidies to the Hospital. In accordance with criteria set forth by the Governmental Accounting Standards Board. The Hospital meets the definition of a component unit which should be discretely presented. The Hospital is accounted for using enterprise fund accounting in these financial statements. Complete financial statements are on file at the hospital.

Jointly Governed Organizations – The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following boards and commissions: Sioux County Conference Board, Sioux County Emergency Management Commission and Sioux County Joint E911 Service Board.

**B. Basis of Presentation**

Government-wide Financial Statements – The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2016**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Position presents the City's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories.

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

The City does not allocate indirect costs. Certain expenses of the City are accounted for through the internal service fund on a cost-reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental, the City's capital equipment internal service fund, and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reported the following major governmental funds.

The General Fund is the general operating fund of the City. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

The Special Revenue Tax Increment Financing Fund is used to account for funds provided to private companies for economic development and related tax revenues from the tax increment financing district.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2016**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

The Debt Fund is used to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation of a municipally owned water system, which provides services to the residents of the City.

The Waste Water Fund accounts for the operation of a municipally owned sewage collection and treatment facility, which provides services to the residents of the City.

The Electric Fund accounts for the operation of a municipally owned electric system, which distributes electrical power to the residents of the City.

The Gas Fund accounts for the operation of a municipally owned natural gas system, which distributes natural gas to the residents of the City.

The Telephone Fund accounts for the operation of a municipally owned telephone system, providing telephone service to residents of the City.

The Cable/Internet Fund accounts for the operation of a municipally owned cable/internet system which provides cable/internet service to residents of the City.

Internal Service Fund – The capital equipment fund is used to account for the financing of goods to other departments of the City on a cost-recovery basis. This fund is presented in the proprietary fund financial statements. Because the principal users of the capital equipment fund are the City's governmental activities, the financial statements of the fund are consolidated into the governmental column when presented in the government-wide financial statements.

Fiduciary Fund Types – These funds account for assets held by the government in a trustees capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement.

- 1) Pension Trust Fund – The Police Retirement Fund represents the resources accumulated to fund police retirements. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting, so that revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.
- 2) Agency Funds – The Payroll Clearing Fund acts as a clearing mechanism for payroll which is shared by various funds of the City. The Flex Spending Fund is used to account for funds withheld from the checks of city employees for qualified expenses. The Community Projects Fund accounts for funds received by various organizations within the community and held until a specific project is completed by those organizations.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2016**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**C. Measurement Focus and Basis of Accounting**

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property taxes to be available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City maintains its financial records on the cash basis. The annual financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

**D. Assets, Liabilities and Fund Equity**

The following accounting policies are followed in preparing the financial statements:

Pooled Cash, Investments and Cash Equivalents – The cash balances of most City funds are pooled and invested in money market checking accounts. Interest earned on those investments is recorded in the General Fund unless otherwise provided by law. Other

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2016**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

investments held by specific funds consist of non-negotiable certificates of deposit which are stated at cost or U.S. government securities stated at fair value determined by quoted market prices or in the Iowa Public Agency Investment trust stated at fair value determined by current share prices.

For the purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable, Including Tax Increment Financing – Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City at June 30, 2016 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is presented as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects tax asking contained in the budget certified to the County Board of Supervisors March, 2015.

Customer Accounts and Unbilled Usage – Accounts receivable are recorded at the time the service is billed, net of an allowance for doubtful accounts of \$26,111 at June 30, 2016. Unbilled usage, recorded in the Enterprise Funds for service consumed between periodic scheduled billing dates, is estimated and is recognized as revenue in the period in which the service is provided.

Also, the Hawarden Regional Healthcare's accounts receivable consists of patient receivables net of allowances for estimated third-party contractual adjustments and uncollectibles of \$387,085 at June 30, 2016.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Due From and Due to Other Funds – During the course of its operations, the City has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2016, the balance of interfund amounts payable or receivable have been recorded in the fund financial statements.



**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2016**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Advances From and To Other Funds – Advances are long-term borrowings between funds which are repaid over time plus interest.

Inventories – Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the Enterprise Funds consist of material and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

Restricted Assets – Proceeds from debt and funds set aside for payment of enterprise fund revenue bonds are classified as restricted assets since their use is limited by applicable bond indentures. Customer deposits are monies paid by customers and held by the City until future refunding or application to an unpaid account balance. The principal portion of Donor Restricted Endowments are also classified as restricted assets, as only the interest earned on these assets may be expended.

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, curbs, gutters) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Roads have been capitalized using estimated historical cost beginning in 1980 as required by GASB 34. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds.

<u>Asset Class</u>	<u>Amount</u>
General Fixed Assets	\$ 2,000
Utility Fixed Assets	5,000
Infrastructure	50,000

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	30 – 100 years
Improvements other than buildings	15 – 40 years
Vehicles	5 – 10 years
Equipment	5 – 20 years
Infrastructure	50 – 100 years

Interest cost for capital asset construction within enterprise funds are capitalized. Interest costs incurred during fiscal year 2016 were \$196,119 of which \$38,797 is capitalized.

Deferred Outflow/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period. The City's component unit, Hawarden Regional Healthcare, has intangible assets that also qualify for reporting in this category.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2016**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows on resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statements of Net Position consist of succeeding year property tax that will not be recognized as revenue until the year for which they are levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments. The governmental funds also report unavailable revenues from delinquent property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences – City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded for this time and any related benefits when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to / deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Position and the proprietary fund Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2016**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Nonspendable – Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the City intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.

Unassigned – All amounts not included in other spendable classifications.

Budgets and Budgetary Accounting – The budgetary comparison and related disclosures are reported as Required Supplementary Information. Expenditures for the year ended June 30, 2016 exceeded amounts budgeted in the debt service function.

**Note 2 - POOLED CASH, INVESTMENTS AND CASH EQUIVALENTS**

The City's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. There were no investments held at year end.

The city had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

**Note 3 - JOINT VENTURES**

MBMECA – The City was a participant in the Missouri Basin Municipal Electric Cooperative Association, a joint venture for the construction and maintenance of power lines from the Northwest Iowa Power Cooperative. This agreement was terminated in FY16 with all business completed and member's capital has been distributed. All that remains at year-end, is a small amount of funds to pay final wrap up expenses. This will be finalized in FY17.

Northwest Iowa Solid Waste - In 1991 the City contributed \$33,776 capital to Northwest Iowa Area Solid Waste Agency for membership in the Agency. Membership provides the City with use of solid waste facilities. In the event of the City's withdrawal from the Agency or dissolution, the City is entitled to the lower of its capital contribution or a share of the Agency's assets based on the City's prorata share of contributions by all municipalities. Complete financial statements can be obtained directly from Northwest Iowa Solid Waste.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 4 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 363,031	\$ -	\$ -	\$ 363,031
Total capital assets not being depreciated	363,031	-	-	363,031
Capital assets being depreciated:				
Buildings	4,895,012	-	-	4,895,012
Improvements other than buildings	1,356,608	-	-	1,356,608
Equipment and vehicles	3,101,970	352,686	38,028	3,416,628
Infrastructure, road network	7,817,603	-	-	7,817,603
Total capital assets being depreciated	17,171,193	352,686	38,028	17,485,851
Less: Accumulated Depreciation for:				
Buildings	2,632,120	104,793	-	2,736,913
Improvements other than buildings	692,250	37,014	-	729,264
Equipment and vehicles	2,338,432	165,360	20,727	2,483,065
Infrastructure, road network	1,998,832	169,491	-	2,168,323
Total Accumulated Depreciation	7,661,634	476,658	20,727	8,117,565
Total capital assets being depreciated, net	9,509,559	(123,972)	17,301	9,368,286
Governmental activities capital assets, net	\$ 9,872,590	\$ (123,972)	\$ 17,301	\$ 9,731,317
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 56,094	\$ -	\$ -	\$ 56,094
Construction in Progress	3,221,275	1,666,786	3,187,280	1,700,781
Total capital assets not being depreciated	3,277,369	1,666,786	3,187,280	1,756,875
Capital assets being depreciated:				
Buildings	142,376	-	-	142,376
Utility Plant	14,930,597	3,249,521	-	18,180,118
Total capital assets being depreciated	15,072,093	3,249,521	-	18,322,494
Less: Accumulated Depreciation for:				
Buildings	108,843	3,276	-	112,119
Utility Plant	11,787,996	336,432	-	12,124,428
Total Accumulated Depreciation	11,896,839	339,708	-	12,236,547
Total capital assets being depreciated, net	3,176,134	2,909,813	-	6,085,947
Business-Type activities capital assets, net	\$ 6,453,503	\$ 4,576,599	\$ 3,187,280	\$ 7,842,822

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 4 -CAPITAL ASSETS – (Continued)**

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

Culture & Recreation	\$ 85,276
General Government	164,240
Health & Social Services	1,295
Public Safety	54,238
Public Works	171,609
Total depreciation expense – governmental activities	<u>\$ 476,658</u>

The governmental depreciation expense amount shown above includes \$143,686 of depreciation expense from the City's internal service fund which is recorded as a governmental activity on the government-wide statements.

Business-Type Activities:

Cable/Internet	\$ 19,141
Electric	201,124
Gas	21,881
Telephone	17,097
Waste Water	20,981
Water	59,484
Total depreciation expense – business type activities	<u>\$ 339,708</u>

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
<b>Discretely presented component unit</b>				
Capital assets not being depreciated:				
Land	\$ 172,313	\$ -	\$ -	\$ 172,313
Construction-in-Progress	1,566,581	5,543,501	210,368	6,899,714
Total capital assets, not being depreciated	<u>1,738,894</u>	<u>5,543,501</u>	<u>210,368</u>	<u>7,072,027</u>
Capital assets being depreciated:				
Land Improvements	54,997	-	16,874	38,123
Hospital	1,556,820	-	199,333	1,357,487
Fixed Equipment	620,022	-	24,088	595,934
Major Moveable Equipment	2,101,104	168,453	244,380	2,025,177
Electronic health record-non-meaningful use	144,721	47,352	-	53,310
Electronic health record-meaningful use	501,840	-	-	501,840
Total capital assets being depreciated	<u>4,979,504</u>	<u>215,805</u>	<u>484,675</u>	<u>4,710,634</u>
Less: Accumulated Depreciation for:				
Land Improvements	39,404	1,794	16,874	24,324
Hospital	1,271,591	35,653	199,333	1,357,487
Fixed Equipment	483,598	18,774	24,088	478,284
Major Moveable Equipment	1,562,815	155,629	244,380	1,474,064
Electronic health record-non-meaningful use	39,036	14,274	-	53,310
Electronic health record-meaningful use	119,355	71,239	-	190,594
Total Accumulated Depreciation	<u>3,515,799</u>	<u>297,363</u>	<u>484,675</u>	<u>3,328,487</u>
Total capital assets being depreciated, net	<u>1,463,705</u>	<u>(81,558)</u>	<u>-</u>	<u>1,382,147</u>
Total capital assets, net	<u>\$ 3,202,599</u>	<u>\$ 5,461,943</u>	<u>\$ 210,368</u>	<u>\$ 8,454,174</u>

Total depreciation expense – discretely presented component unit \$ 297,363

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 4 - CAPITAL ASSETS – (Continued)**

Reconciliation of Net Investment in Capital Assets:

	Governmental Activities	Business-Type Activities	Component Unit
Land	\$ 363,031	\$ 56,094	\$ 172,313
Construction-in-Progress	-	1,700,781	6,899,714
Capital Assets (net of accumulated depreciation)	9,368,286	6,085,947	1,382,147
Less:			
General Obligation Bonds Payable	1,902,214	-	-
Revenue Bonds	-	5,665,530	-
Note Payables	-	-	5,098,387
Add:			
Unspent Bond Proceeds	-	462,687	-
	<u>\$ 7,829,103</u>	<u>\$ 2,639,979</u>	<u>\$ 3,355,787</u>

**Note 5 - CHANGES IN LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the year ended June 30, 2016 is as follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Due Within One Year
Governmental activities:					
Compensated Absences	\$ 31,752	\$ 7,456	\$ 6,350	\$ 32,858	\$ 6,572
General Obligation Bonds/Notes	1,937,253	-	228,342	1,708,911	235,546
General Obligation Refunding Note	262,616	-	85,256	177,360	88,049
General Obligation Bond Premiums	16,790	-	847	15,943	-
Net Pension Liability	476,080	69,662	-	545,742	-
Other Post Employment Benefit	11,730	1,516	-	13,246	-
	<u>\$ 2,736,221</u>	<u>\$ 78,634</u>	<u>\$ 320,795</u>	<u>\$ 2,494,060</u>	<u>\$ 330,167</u>
Business type activities:					
Revenue notes	\$ 5,920,000	\$ -	\$ 240,000	\$ 5,680,000	\$ 250,000
Revenue Notes Premiums	49,848	-	2,503	47,345	-
Revenue Notes Discounts	(69,037)	-	7,222	(61,815)	-
Compensated Absences	41,817	10,028	8,363	43,482	8,630
Net Pension Liability	99,614	70,875	-	170,489	-
	<u>\$ 6,042,242</u>	<u>\$ 80,903</u>	<u>\$ 258,088</u>	<u>\$ 5,879,501</u>	<u>\$ 258,630</u>
Discretely Presented Component Unit:					
Note Payable (Asset Purchase Agreement)	\$ 600,000	\$ -	\$ 100,000	\$ 500,000	\$ 100,000
Capital Lease Obligation	162,930	32,655	61,387	134,198	66,160
Construction Note Payable	50,850	4,413,339	-	4,464,189	-
Net Pension Liability	1,660,106	523,593	-	2,183,699	-
	<u>\$ 2,473,886</u>	<u>\$ 4,969,587</u>	<u>\$ 161,387</u>	<u>\$ 7,282,086</u>	<u>\$ 166,160</u>

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 5 - CHANGES IN LONG-TERM LIABILITIES – (Continued)**

General Obligation Bonds/Notes

Four issues of unmatured general obligation bonds/notes, totaling \$1,886,271 are outstanding at June 30, 2016. General obligation bonds/notes bear interest at rates ranging from 2.56-4.25% and mature in varying annual amounts, ranging from \$50,000 to \$135,000, with the final maturities due in the year ending June 1, 2025.

On July 9, 2014 the city issued \$1,210,000 of general obligation corporate purpose bonds series 2014A with an average interest rate of 2.56%, with annual maturities from June 2016 through 2025. The net proceeds were used to fund the 16<sup>th</sup> Street Project.

The general obligation bonds outstanding on the Statement of Net Position are shown net of bond premiums of \$15,943. The debt service fund is used to pay all general obligation debt.

Details of general obligation bonds/notes payable at June 30, 2016 are as follows:

Governmental Activities:	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2016
General obligation bonds/notes:						
General Corporate Purpose	August 20, 2009	4.25%	June 1, 2019	\$ 50,000	\$ 500,000	\$ 150,000
General Corporate Purpose	November 30, 2011	3.20%	June 1, 2022	84,627	750,000	458,911
General Corporate Purpose	July 9, 2014	2.56%	June 1, 2025	110,000-135,000	1,120,000	1,100,000
General Obligation Refunding Note	June 1, 2010	3.25%	June 1, 2018	74,000-89,500	650,000	177,360
						<u>\$ 1,886,271</u>

A summary of the annual general obligation bond/note principal and interest requirements to maturity by year is as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 323,595	\$ 51,549	\$ 375,144
2018	327,132	41,963	369,095
2019	240,170	33,020	273,190
2020	197,595	26,701	224,296
2021	200,098	21,798	221,896
2022-2025	597,681	40,515	638,196
Total	<u>\$ 1,886,271</u>	<u>\$ 215,546</u>	<u>\$ 2,101,817</u>

Revenue Notes

The City has pledged income derived from the acquired or constructed asset to pay debt service.

The City issued \$4,615,000 of Electric Revenue Improvement and Refunding Bonds on November 30, 2011. Proceeds were used to refund Series 2004, Electric Revenue Refunding, which reduced future debt service payments. The transaction resulted in an economic gain of \$95,989 and a reduction of \$99,095 in future debt service payments. The remaining proceeds will be used to finance the Electric Utility Underground Project.

On May 5, 2015, the City issued \$2,890,000 of electric revenue improvements bonds, Series 2015 with annual maturities from June 2016 through 2034. The net proceeds were used to fund the electric utility underground project.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 5 - CHANGES IN LONG-TERM LIABILITIES – (Continued)**

There are a number of limitations and restrictions contained in the revenue bond indenture summary. The reserve requirements are as follows:

<u>Enterprise</u>	<u>Type of Account</u>	<u>Required Balance June 30, 2016</u>	<u>Actual Balance June 30, 2016</u>
Electric	Electric Revenue Sinking Fund	\$ 20,706	\$ 36,076
Electric	Bond and Interest Reserve	287,500	382,243
Electric	Bond Improvement	100,000	100,000

These amounts are classified as restricted assets on the combined balance sheet.

Details of revenue notes payable at June 30, 2016 are as follows:

<u>Business Type Activities</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2016</u>
Revenue Notes:						
Electric Improvement and Refunding	Nov. 30, 2011	2.55-4.3%	June 1, 2031	\$ 155,000-430,000	\$ 4,615,000	\$ 2,875,000
Electric Improvements	May 5, 2015	1-4%	June 1, 2034	85,000-415,000	2,890,000	2,805,000
						<u>\$ 5,680,000</u>

The revenue notes outstanding on the Statement of Net Position is shown less bond discounts of \$61,815 and an addition of bond premiums of \$47,345 for a net subtraction of \$14,470.

A summary of the annual revenue note principal and interest requirements to maturity is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 250,000	\$ 182,913	\$ 432,913
2018	255,000	179,095	434,095
2019	260,000	174,263	434,263
2020	265,000	168,912	433,912
2021	270,000	162,573	432,573
2022-2026	1,460,000	697,590	2,157,590
2027-2031	1,720,000	435,100	2,155,100
2032-2034	1,200,000	95,275	1,295,275
Total	<u>\$ 5,680,000</u>	<u>\$ 2,095,721</u>	<u>\$ 7,775,721</u>

Discretely presented component unit:

Note Payable (Asset Purchase Agreement)

On May 8, 2013, the Hospital entered into an asset purchase agreement with Therapeutic Health Services, Inc (THS), a provider of physical and occupational health services and home health services in Northwest Iowa. The agreement was for the purchase of all contracts and contract rights of THS, equipment, fixtures, office equipment owned and utilized by THS in connection with the aforementioned contracts, inventory and therapy supplies used in connection with the contracts, and service records, marketing material and agreements relating to the acquired contracts and medical practice. The purchase agreement was for \$850,000 with the first



**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 5 - CHANGES IN LONG-TERM LIABILITIES – (Continued)**

payment of \$75,000 paid upon the closing of the agreement. Subsequent payments are due on January 10 of each year for varying amounts. The final payment in the amount of \$150,000 is due on January 10, 2019.

Lease Obligation Note

The Hospital has entered into a capital lease obligation at an imputed interest rate between .99%.and 4.75%. Monthly payments between \$975 and \$4,628 are to be made through December 2018, and are collateralized by leased equipment with a cost of \$297,405.

Construction Payable

On August 21, 2014, the Hospital issued Hospital Revenue Bond Anticipation Project Notes, Series 2014A and 2014B with a local financial institution to provide interim financing up to \$5,500,000 during the construction phase of the hospital capital project. On December 3, 2015, the hospital issued Hospital Revenue Bond Anticipation Notes, Series 2015A, 2015B, and 2015C with a local financial institution to provide additional financing up to \$6,153,254 during the construction project. The principal amount of the Series 2014A, 2014B, and 2015A notes will be paid off with a direct USDA loan when the project is completed. Interest only payments are to be paid on the outstanding principal balance during the construction phase at a rates ranging from 2.95% to 4.00%

Scheduled principal repayments on long-term debt for each of the next five years are as follows:

2017	\$ 166,160
2018	4,627,181
2019	155,046
2020	150,000
	<u>\$ 5,098,387</u>

**Note 6 - INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Tax Increment Financing Revenue	\$ 62,500
	Non-Major Governmental	348,971
	Enterprise:	
	Electric	190,000
	Gas	75,000
	Cable/Internet	35,000
	Non-Major Enterprise	10,000
		<u>721,471</u>
Tax Increment Financing	Non-Major Governmental	<u>23,736</u>
Debt Service	Tax Increment Financing	201,719
	Non-Major Governmental	74,420
		<u>276,139</u>
Non-Major Funds	General	5,250
	Special Revenue:	
	Tax Increment Financing Revenue	103,750
	Enterprise:	
	Water	7,000
	Electric	10,000

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 6 - INTERFUND TRANSFERS - (Continued)**

Non-Major Funds (continued)	Enterprise	
	Sewer	\$ 7,000
	Gas	10,000
		<u>143,000</u>
Cable/Internet	Electric	91,271
	Telephone	14,003
		<u>105,274</u>
Telephone	Electric	<u>91,271</u>
Total Transfers		<u>\$ 1,360,891</u>

Transfers are used to move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources, as well as to move resources from the business-type activities to governmental funds to help finance general governmental operations.

**Note 7 – INTERNAL BALANCES**

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2016, balances of interfund amounts payable or receivable have been recorded as "due to other funds" and "due from other funds", respectively. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

The detail of short-term interfund receivables and payables at June 30, 2016 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental:	Enterprise:	
General	Water	\$ 234,883
	Telephone	170,319
Enterprise:	Enterprise:	
Electric	Water	7,324
Gas	Electric	133,250
Internal Service	Electric	11,649
		<u>\$ 557,425</u>

The detail of long-term advances to and from other funds at June 30, 2016 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise:	Special Revenue:	
Electric	Tax Increment Financing	\$ 27,231
Wastewater	Tax Increment Financing	83,810
Internal Service	Tax Increment Financing	290,000
		<u>\$ 401,041</u>

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 8 - PENSION PLAN**

**Summary of Significant Accounting Policies & Pensions Totals**

The financial statements of the Iowa Public Employees' Retirement System (IPERS), and the Police Retirement System (PRS) are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide contributions. Benefits, refunds and annuities are recognized when due and payable in accordance with the terms of each plan.

**Method used to Value Investments**

*IPERS* – All investments are reported at fair value. The determination of fair value is generally based on published market prices and quotations from major investment brokers. Investments not having quoted market prices have been valued based on yields and maturities currently available on comparable securities of similar issue. Fair values for real estate investments are based on periodic assessments or appraisals of the underlying investments. Futures contracts are valued daily with the resulting adjustment recorded as realized gains/losses arising from the settlement of the variation margin. Private equities are valued based on March 31 net position values plus or minus purchases, sales and cash flows from April 1 through June 30 of the reporting year.

The system has no investment in any specific stock or bond issues of any commercial or industrial organization, other than the U.S. government and its instrumentalities, whose fair value exceeds 5% of the plan net position available for benefits.

The Police Retirement System has no plan investments and only a small cash balance, as the liability is funded on a pay-as-you-go basis.

**Pension Totals**

At June 30, 2016, the City recognized the following amounts related to pensions in financial statements prepared using the economic resources measurement focus and accrual basis of accounting (expressed in thousands):

	Defined Benefit			
	Cost-Sharing, Multiple Employer	IPERS – Discretely Presented Component Units	Single Employer	
	IPERS – Primary Government		PRS	Total
Net Pension Liability	\$ 629.9	\$ 2,183.7	\$ 86.3	\$ 2,899.9
Deferred Outflows of Resources Related to Pensions	279.8	1,055.7	-	1,335.5
Deferred Inflows of Resources Related to Pensions	207.3	508.5	-	715.8
Pension Expense for the Period Associated with Net Pension Liabilities	139.7	300.3	13.5	453.50

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2016**

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**Note 8 - PENSION PLAN - (Continued)**

**Iowa Public Employees' Retirement System (IPERS)**

*Plan description* – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

The IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

**Pension Benefits**

A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55.

The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary).

Protection occupation members may retire at normal retirement age which is generally at age 55. The formula used to calculate a protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2016**

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**Note 8 - PENSION PLAN - (Continued)**

**Disability and Death Benefits**

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

**Contributions**

Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30 year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. Protective occupation members contributed 6.56 percent of pay and the City contributed 9.84 percent for a total rate of 16.40 percent.

The City's total contributions to IPERS for the year ended June 30, 2016 were \$108,311 and for the component unit total contributions were \$300,299.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016, the City reported a liability of \$629,939 and the component unit reported \$2,183,699 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's collective proportion was 0.0127505 percent and 0.0442 percent for the component unit, which was an increase of 0.000377 percent from its proportion measured as of June 30, 2014. The component unit showed an increase of 0.002341 percent from 2014.

For the year ended June 30, 2016, the City and component unit recognized pension expense of \$139,710 and \$300,299, respectively. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 8 - PENSION PLAN - (Continued)**

	<b>City's Share</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 9,978	\$ 5,855
Changes of assumptions	18,184	90
Net difference between projected and actual earnings on pension plan investments	125,390	193,969
Changes in proportion and differences between City contributions and proportionate share of contributions	17,935	7,383
City contributions subsequent to the measurement date	108,311	-
Total	<u>\$ 279,798</u>	<u>\$ 207,297</u>

  

	<b>Component Unit</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 32,993	\$ -
Changes of assumptions	60,123	-
Net difference between projected and actual earnings on pension plan investments	326,725	508,465
Changes in proportion and differences between Hospital's contributions and proportionate share of contributions	335,573	-
Hospital's contributions subsequent to the measurement date	300,299	-
Total	<u>\$ 1,055,713</u>	<u>\$ 508,465</u>

\$108,311 and \$300,299 reported as deferred outflows of resources related to pensions resulting from the City and component unit contributions, respectively subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30,</b>	<b>City</b>	<b>Component Unit</b>
2017	\$ (23,044)	\$ 32,997
2018	(23,044)	32,997
2019	(23,044)	32,997
2020	33,558	140,023
2021	(236)	7,935
	<u>\$ (35,810)</u>	<u>\$ 246,949</u>

There were no non-employer contributing entities of IPERS.

*Actuarial assumptions* – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 8 - PENSION PLAN - (Continued)**

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum
Salary Increases (effective June 30, 2014)	4.00 - 17 percent average, including inflation. Rates vary by membership group.
Investment Rate of Return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan investment expense, and including inflation
Wage Growth (effective June 30, 1990)	4.00 percent per annum based on 3.00 percent inflation, and 1.00 percent real wage inflation

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Generational Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
US Equity	24%	6.29%
Non US Equity	16	6.75
Private Equity	11	11.32
Real Estate	8	3.48
Core Plus Fixed Income	28	2.04
Credit Opportunities	5	3.63
TIPS	5	1.91
Other Real Assets	2	6.24
Cash	1	(0.71)
Total	<u>100%</u>	

*Discount rate* – The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.* The following presents the City's and component unit's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's and component unit's proportionate share of the net pension liability would be if it were calculated

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 8 - PENSION PLAN - (Continued)**

using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.5 percent) than the current rate.

	1% Decrease 6.5%	Discount Rate 7.5%	1% Increase 8.5%
Proportionate Share of the Net Pension Liability (Asset)			
City	\$ 1,244,452	\$ 629,939	\$ 111,422
Component Unit	\$ 3,823,263	\$ 2,183,699	\$ 799,788

*Pension plan fiduciary net position* – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**Payables to the pension plan**

At June 30, 2016, the component unit reported payables to the defined benefit pension plan of \$61,205 for legally required employer contributions and \$40,780 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**Police Retirement System**

Police Pension - The City maintains a single-employer, defined benefit pension plan (police retirement system), which was organized under Chapter 410 of the Code of Iowa. Police personnel who were in the employment of the City prior to July 1, 1971, are eligible to participate in the plan. Any eligible participant may be entitled to benefits if such member has served 22 years or more and shall have reached the age of 50 years; or who shall, while a member of the department, become mentally or physically permanently disabled while performing his duties. The salary benefit is equal to one-half the amount of salary received by him monthly at the date he actually retires from the department. Benefits are increased subsequent to retirement by 50% of any increase in the pension benefits for the rank at which the member retired. In the event of the death of a retired participant, the benefit paid to a surviving spouse is reduced to 50% of the retiree's benefit. Presently, the City has only one individual who qualifies as a participant because of the employment of their spouse prior to July 1, 1971. The payroll for employees covered by the system was \$-0- and the City's total payroll for the police department was \$401,190.

The amount shown below as the Actuarial Accrued Liability is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. This measure is the actuarial present value of credited projected benefits and is intended to (1) help users assess the system's funding status on a going-concern basis, (2) assess progress being made in accumulating sufficient assets to pay benefits when due, and (3) allow for comparisons among public employee retirement plans. The net pension obligation was determined as part of an actuarial valuation of the plan as of July 1, 2016.

<u>Net Pension Obligation</u>	
Retirees and Beneficiaries Currently Receiving Benefits.....	\$ 89,771
Net Position Available for Benefits .....	3,479
	<u>\$ 86,292</u>



**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2016**

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**Note 8 - PENSION PLAN - (Continued)**

There were no current year member contributions. Eligible participants were required to contribute annually an amount equal to 1% of current annual salary, or approximately \$200 per year. The City has chosen to fund the plan on a pay-as-you-go basis under which contributions to the plan above and beyond employee contributions are made at the same time and in the same amounts as benefit payments and expenses become due.

This method has been selected since no future entrants to the plan will occur because of the eligibility employment date. Presently, the total annual liability for pension benefits is approximately \$10,000 per year which the City feels can be funded on a pay-as-you-go basis through property tax levies since no funding of future benefits will be necessary due to a closed group situation which will result in no new participants.

The unfunded actuarial present value of credited projected benefits is \$89,771.

The City's contribution for the year was \$12,205 as required by the pay-as-you-go method of funding. This \$12,205 was paid by the City as required. The amount was not actuarially determined.

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions* – The total pension liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement:

Discount Rate:	6.00%
Assumed Future Benefit Increase:	2.5%

Post retirement mortality rates were based on the RP-2000 Mortality Table projected to 2020 (female).

This is a closed system with all active members retired. Taxes are levied to sufficiently compensate the retired members involved in this system. No separate financial statements are prepared for the police retirement system.

**Note 9 - RISK FINANCING**

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the 2015-2016 fiscal year the City has elected to purchase commercial insurance to cover against the risk of loss. There have been no settlements that exceeded insurance coverage during the last three fiscal years.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2016**

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**Note 10 - NOTES RECEIVABLE**

In fiscal year 2002, the City advanced Wee Care Child Care \$180,000 for improvements to leased portion of community center. The City borrowed these funds from a local institution and a receivable and liability of the same amount was recorded in the debt service fund. During fiscal year 2011 the City repaid the loan from local institutions and renegotiated with Wee Care to repay the City over 12 years. The receivable and liability were removed from the debt service fund and now a receivable is recorded in the internal service fund. The note bears interest at 3.00% with payments as shown as follows:

<u>Fiscal Year</u>	<u>Principal</u>
2017	\$ 11,792
2018	12,150
2019	12,519
2020	12,901
2021	13,293
2022	13,149
Total Note Receivable	<u>\$ 75,804</u>

Also during the fiscal year ended June 30, 2009, the City opened a revolving loan fund. The purpose of the fund is to promote economic development in Hawarden. During the fiscal year ended June 30, 2015, the City made a loan to Rosa Zamora for \$60,000 and had a balance of \$57,644 as of June 30, 2016. This loan is scheduled to be repaid over 15 years, with monthly payments at 2% interest. During the fiscal year ended June 30, 2016, the City made two additional loans through the revolving loan fund. One loan was made to Big Sioux Embroidery for \$50,000 and had a balance of \$46,766 as of June 30, 2016. This loan is schedule to be repaid over 7 years, with monthly payments at 3% interest. The other loan was made to Saldona for \$20,000 and had a balance of \$19,006 as of June 30, 2016. This loan is scheduled to be repaid in 5 years with monthly payments at 2% interest and a balloon payment in fiscal year 2021. Scheduled receipt of loan principal is shown as follows

<u>Fiscal Year</u>	<u>Principal</u>
2017	\$ 11,299
2018	11,595
2019	11,899
2020	12,211
2021	25,564
2022-2026	31,815
2027-2031	19,033
Total Note Receivable	<u>\$ 123,416</u>

During the fiscal year ended June 30, 2012, the City made two loans through the USDA Rural Business Enterprise Grant Program. One loan was made to In-Weave for \$30,000 and had a balance of \$11,075 as of June 30, 2016. The other loan was made to Hoogestrat for \$30,000 and had a balance of \$12,541 as of June 30, 2016. Each loan is scheduled to be repaid over 7 years, with monthly payments, at 3% interest.

<u>Fiscal Year</u>	<u>Principal</u>
2017	\$ 8,927
2018	9,200
2019	5,489
Total Note Receivable	<u>\$ 23,616</u>

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2016**

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**Note 11 - RELATED PARTY TRANSACTIONS**

*Hawarden Community Clinic*

Effective January 1, 2005, Hawarden Regional Healthcare and Mercy Medical Services (MMS) entered into a joint venture whereby each partner has a 50% sponsorship interest in Hawarden Regional Healthcare Clinics, LLC, (HRHC). The Hawarden Regional Healthcare and MMS share equally in the net income (loss) of HRHC. The Hospital's share of Hawarden Clinic's (HC) 2016 and 2015 (from January 1 through June 30) operating loss was \$76,557 and \$123,474, respectively, and is included in joint venture loss, net in the accompanying statement of activities.

The Hospital hires the employees of HC and leases them back to HC. Amounts received by the Hospital for expenses paid in 2016 and 2015 was \$655,414 and \$395,676, respectively, and is included in the accompanying statement of activities. The Hospital also received management fees from HC totaling \$70,000 in both 2016 and 2015 and monthly rent totaling \$27,600 for the years ended June 30, 2016 and 2015. These amounts are included in other revenue.

HC owed the Hospital \$219,109 and \$319,726 at June 30, 2016 and 2015, respectively. These amounts are recorded in due from related party on the balance sheets.

*Ireton Community Clinic*

Effective June 1, 2008, the Hawarden Regional Healthcare and Mercy Medical Services (MMS) entered into a joint venture whereby each partner has a 50% sponsorship interest in Ireton Community Clinic, LLC, (ICC). The Hospital and MMS share equally in the net income (loss) of ICC. The Hospital's share of ICC's 2016 and 2015 operating loss was \$19,139 and \$30,869, respectively, and is included in joint venture loss, net in the accompanying statement of activities.

The Hawarden Regional Healthcare hires the employees of ICC and leases them back to ICC. Amounts received by the Hawarden Regional Healthcare for expenses paid in 2016 and 2015 was \$62,844 and \$50,915, respectively, and is included in the accompanying statement of activities. The Hawarden Regional Healthcare also received management fees from ICC totaling \$10,000 in 2016 and 2015. These fees are included in other revenue.

ICC owed the Hospital \$25,541 at June 30, 2016 and the Hospital owed ICC \$4,088 at June 30, 2015. These amounts are recorded in due from related party on the statement of financial position.

**Note 12 - LEASES WITH RELATED PARTIES**

The Telephone Fund leases certain assets from the Electric Fund. The lease includes fiber optic cable and other assets associated with providing telecommunications utility. The lease provides for annual payments of \$145,354 with no set minimum lease term.

**Note 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses, with the retirees paying the full premium. There are 23 active and -0- retired members in the plan. Participants must be age 55 or older at retirement.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) – (Continued)**

The medical/prescription drug benefits are provided through a fully-insured plan with Principal. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 1,516
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>1,516</u>
Contributions made	-
Increase in net OPEB obligation	<u>1,516</u>
Net OPEB obligation beginning of year	<u>11,730</u>
Net OPEB obligation end of year	<u>\$ 13,246</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

For the year ended June 30, 2016, the City contributed \$-0- to the medical plan. Plan members eligible for benefits did not contribute any of the premium costs.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2016 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 1,602	0.0%	\$ 8,526
June 30, 2014	\$ 1,602	0.0%	\$ 10,128
June 30, 2015	\$ 1,602	0.0%	\$ 11,730
June 30, 2016	\$ 1,516	0.0%	\$ 13,246

Funded Status and Funding Progress - As of June 30, 2016, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$12,811, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$12,811. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,056,038 and the ratio of the UAAL to covered payroll was 1.2%. As of

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2016**

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**Note 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)**

June 30, 2016, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The

Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the June 30, 2016 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the City's funding policy. The projected annual medical trend rate is 5.0%.

Mortality rates are from the 2011 United States Life Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based on historical average retirement age for the covered group.

Projected annual claim costs of the medical plan are \$13,887 for retirees and \$20,830 for their spouses less than age 65 and there are no participating retirees who have attained age 65. The salary increase rate was assumed to be 2.0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**Note 14 – CONSTRUCTION COMMITMENTS**

During the year ended June 30, 2016, and in previous years, the City had entered into a construction contract totaling approximately \$1,019,500 for electric system distribution improvements of which approximately \$888,600 had been expended. The remaining balance will be paid as work progresses on the projects.

**Note 15 – SUBSEQUENT EVENT**

In October 2016, the City authorized the issuance of a \$2,655,000 Electric Revenue Refunding bond to be used for electric improvements and to refund a 2011 electric revenue bond. The bond is payable from charges for services generated by the electric fund.

The Hawarden Regional Healthcare Facility is currently constructing a new wing and upgrading the current facility at a cost of approximately \$13,500,000. In December of 2016, the City approved a resolution for the Hospital to receive a low-interest loan from the USDA Rural Development in the amount of \$8,833,254 for this project. These funds will be used to retire Hospital Revenue Bond Anticipation Project Notes as described in Note 5. The balance of the project will be funded with donations from local businesses and residents, the majority of which have already been pledged or received.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF HAWARDEN, IOWA**  
**Required Supplementary Information – Budgetary Reporting**  
**For the Year Ended June 30, 2016**

Iowa Budget law requires the adoption of legal budgets for expenditures (expenses) on a program basis. The programs are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Although the budget document presents program expenditures (expenses) by fund, the legal level of control is at the aggregated program level, not at the fund level. For example, all budget categories of a particular fund may be exceeded so long as total budgeted program expenditures (expenses) are not exceeded on a "city-wide" basis. Program expenditures (expenses) required to be budgeted include expenditures for the general fund, special revenue funds, debt service fund, capital project funds, permanent fund, and proprietary fund types (including internal service). Legally adopted budgets may be prepared on a cash basis or on a basis consistent with U.S. generally accepted accounting principles.

The City follows these procedures in establishing the budget data reflected in the financial statement.

1. At least six weeks prior to March 15, the City Clerk submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to March 15, the budget is legally enacted through passage of a resolution.
4. Amendments to the budget are considered and reviewed throughout the fiscal year. Amendments are subject to departmental review and by justification to the City Clerk. The budget is formally amended by City Council resolution. Public hearings on budget amendments are conducted if the amendment is at the program level. The original budget plus subsequent amendments constitute the annual appropriated budget. There are no other appropriations of budget that occur. During the year, the budget was amended to increase expenditures as follows:

	<b>Original Budget</b>	<b>5/25/16 Amendment</b>	<b>Amended Budget</b>
Public Safety	\$ 620,851	\$ 63,000	\$ 683,851
Public Works	393,476	-	393,476
Health and Social Services	325,000	-	325,000
Culture and Recreation	418,936	65,088	484,024
Community and Economic Development	72,112	29,100	101,212
General Government	345,548	-	345,548
Debt Service	235,745	139,475	375,220
Capital Projects	-	9,400	9,400
Business Type Activities	16,288,610	430,000	17,282,629
Transfer Out	1,606,176	388,736	1,994,912

**CITY OF HAWARDEN, IOWA**  
**Required Supplementary Information – Budgetary Reporting**  
**For the Year Ended June 30, 2016**

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5. Legally adopted budgets are prepared on a program basis for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Project Funds and the Permanent Fund on a basis consistent with generally accepted accounting principles and reflect the annual appropriation resolutions adopted by the City Council.
6. Unexpended appropriations lapse at the end of each fiscal year.

Aggregation of Program Expenditures/Expenses for Governmental, Proprietary and Permanent Fund Types is shown on the next page to demonstrate legal compliance with budget:



**CITY OF HAWARDEN, IOWA**  
**Required Supplementary Information - Budgetary Reporting**  
**For the Year Ended June 30, 2016**

	Governmental Fund Types	Proprietary Fund Types	Primary Government Total
Revenue:			
Property Taxes	\$ 1,062,786	\$ -	\$ 1,062,786
Special Assessments	7,628	-	7,628
Licenses	25,115	-	25,115
Intergovernmental	727,315	-	727,315
Charges	289,909	5,300,881	5,590,790
Fines	14,894	-	14,894
Contributions	47,713	-	47,713
Refunds	15,289	-	15,289
Rental Income	35,874	-	35,874
Interest	11,571	27,726	39,297
Miscellaneous	7,518	(35,146)	(27,628)
Total Revenue	2,245,612	5,293,461	7,539,073
Expenditures:			
Public Safety	648,267	-	648,267
Public Works	344,671	-	344,671
Health and Social Services	321,722	-	321,722
Culture and Recreation	468,422	-	468,422
Community and Economic Development	96,108	-	96,108
General Government	86,731	-	86,731
Capital Projects	-	-	-
Debt Service	381,846	-	381,846
Business Type Activities	-	4,827,394	4,827,394
Total Expenditures/Expenses	2,347,767	4,827,394	7,175,161
Excess (deficiency) of revenues over expenditures	(102,155)	466,067	363,912
Other financing sources (uses):			
Transfers from Other Funds	1,164,346	196,545	1,360,891
Proceeds from Debt Financing	-	-	-
Transfers to Other Funds	(820,346)	(540,545)	(1,360,891)
Total other financing sources (uses)	386,116	(344,000)	42,116
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures/Expenses and Other (Uses)	283,961	122,067	406,028
Fund Balance/Retained Earnings at Beginning of Year	1,846,721	8,282,050	10,128,771
Fund Balance/Retained Earnings at End of Year	\$ 2,130,682	\$ 8,404,117	\$ 10,534,799

Hawarden Community Hospital	Reporting Entity Total	Original Budget	Final Amended Budget	Variance
\$ -	\$ 1,062,786	\$ 1,387,585	\$ 1,387,585	\$ (324,799)
-	7,628	4,930	4,930	2,698
-	25,115	24,275	24,275	840
321,722	1,049,037	387,180	492,368	556,669
8,448,562	14,039,352	16,094,506	17,014,535	(2,975,183)
-	14,894	-	-	14,894
127,024	174,737	-	-	174,737
-	15,289	-	-	15,289
-	35,874	-	-	35,874
10,606	49,903	45,595	45,595	4,308
16,806	(10,822)	28,000	28,000	(38,822)
8,924,720	16,463,793	17,972,071	18,997,288	(2,533,495)
-	648,267	620,851	683,851	35,584
-	344,671	393,476	393,476	48,805
-	321,722	325,000	325,000	3,278
-	468,422	418,936	484,024	15,602
-	96,108	72,112	101,212	5,104
-	86,731	345,548	345,548	258,817
-	-	-	9,400	9,400
-	381,846	235,745	375,220	(6,626)
8,388,329	13,215,723	16,288,610	17,282,629	4,066,906
8,388,329	15,563,490	18,700,278	20,000,360	4,436,870
536,391	900,303	(728,207)	(1,003,072)	(6,970,365)
-	1,360,891	1,606,176	1,994,912	634,021
-	-	2,680,000	2,680,000	2,680,000
-	(1,360,891)	(1,606,176)	(1,994,912)	(634,021)
-	42,116	2,680,000	2,680,000	2,637,884
536,391	942,419	\$ 1,951,793	\$ 1,676,928	\$ 734,509
6,759,251	16,888,022			
\$ 7,295,642	\$ 17,830,441			

CITY OF HAWARDEN, IOWA  
POST EMPLOYMENT HEALTHCARE BENEFITS  
SCHEDULE OF FUNDING PROGRESS  
For the Year Ended June 30, 2016

Audit Period	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
6/30/2011	6/30/2010	\$ -	\$ 14,965	\$ 14,965	0.00%	\$ 1,290,000	1.160%
6/30/2012	6/30/2010	\$ -	\$ 14,965	\$ 14,965	0.00%	\$ 1,143,000	1.309%
6/30/2013	6/30/2013	\$ -	\$ 12,999	\$ 12,999	0.00%	\$ 981,867	1.300%
6/30/2014	6/30/2013	\$ -	\$ 12,999	\$ 12,999	0.00%	\$ 1,251,056	1.040%
6/30/2015	6/30/2013	\$ -	\$ 12,999	\$ 12,999	0.00%	\$ 1,166,000	1.115%
6/30/2016	6/30/2016	\$ -	\$ 12,811	\$ 12,811	0.00%	\$ 1,056,038	1.2%

\* Fiscal 2010 was the first year for calculating the Post Employment Benefit Obligation so information from previous years is not available.

See Note 13 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

CITY OF HAWARDEN, IOWA  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM LAST FISCAL YEAR\*  
(IN THOUSANDS)  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016

	2016		2015	
	City	Component Unit	City	Component Unit
Entity's proportion of the net pension liability	0.0127505%	0.044200%	0.0123739%	0.041020%
Entity's proportionate share of the net pension liability	\$ 630	\$ 2,184	\$ 491	\$ 1,660
Entity's covered-employee payroll	\$ 1,159	\$ 3,359	\$ 1,120	\$ 3,012
Entity's proportionate share of the net pension liability as a percentage of its covered employee payroll	53.08%	65.01%	43.84%	55.11%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	85.19%	87.61%	87.61%

\*The amounts presented for each fiscal year were determined as of June 30.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Entity will present information for those years for which information is available.

**CITY OF HAWARDEN, IOWA**  
**SCHEDULE OF THE CITY'S CONTRIBUTIONS**  
**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**LAST TEN YEARS (IN THOUSANDS)**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2016**

<b>City</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Statutorily required contribution	\$ 108	\$ 106	\$ 103	\$ 99	\$ 97
Contributions in relation to the statutorily required contribution	(108)	(106)	(103)	(99)	(97)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Entity's covered employee payroll	\$ 1,187	\$ 1,159	\$ 1,120	\$ 1,102	\$ 1,138
Contributions as a percentage of covered-employee payroll	9.13%	9.15%	9.20%	8.98%	8.52%
<b>City</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Statutorily required contribution	\$ 92	\$ 86	\$ 79	\$ 71	\$ 65
Contributions in relation to the statutorily required contribution	(92)	(86)	(79)	(71)	(65)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Entity's covered employee payroll	\$ 1,194	\$ 1,209	\$ 1,162	\$ 1,094	\$ 1,025
Contributions as a percentage of covered-employee payroll	7.71%	7.11%	6.80%	6.49%	6.34%
<b>Component Unit</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Statutorily required contribution	\$ 300	\$ 269	\$ 245	\$ 190	\$ 186
Contributions in relation to the statutorily required contribution	(300)	(269)	(245)	(190)	(186)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Hospital's covered employee payroll	\$ 3,359	\$ 3,012	\$ 2,744	\$ 2,197	\$ 2,300
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%	8.07%
<b>Component Unit</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Statutorily required contribution	\$ 140	\$ 123	\$ 121	\$ 99	\$ 99
Contributions in relation to the statutorily required contribution	(140)	(123)	(121)	(99)	(99)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Hospital's covered employee payroll	\$ 2,009	\$ 1,850	\$ 1,906	\$ 1,636	\$ 1,722
Contributions as a percentage of covered-employee payroll	6.95%	6.65%	6.35%	6.05%	5.75%

**CITY OF HAWARDEN, IOWA**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Police Retirement System (PRS)**  
**Last Three Fiscal Years as of June 30\***

	2016	2015	2014
Total pension liability			
Differences between expected & actual experience	\$ 12,949	\$ 8,430	\$ 8,382
Benefit payments, including refunds of employee contributions	(11,658)	(11,538)	(11,235)
Net change in total pension liability	1,291	(3,108)	(2,853)
Total pension liability – beginning	88,480	91,588	94,441
Total pension liability – ending (a)	<u>\$ 89,771</u>	<u>\$ 88,480</u>	<u>\$ 91,588</u>
Plan fiduciary net position			
Contributions – employer	12,205	11,768	11,783
Contributions - employee	-	-	-
Net investment income	8	9	13
Benefit payments, including refunds of employee contributions	(11,658)	(11,538)	(11,235)
Administrative expense	(600)	-	(600)
Net change in fiduciary net position	(45)	239	(39)
Plan fiduciary net position - beginning	3,524	3,285	3,324
Plan fiduciary net position – ending (b)	<u>\$ 3,479</u>	<u>\$ 3,524</u>	<u>\$ 3,285</u>
Net pension liability – ending (a) – (b)	<u>\$ 86,292</u>	<u>\$ 84,956</u>	<u>\$ 88,303</u>
Plan fiduciary net position as percentage of the total pension liability	3.878%	3.98%	3.58%
Covered-employee payroll	-	-	-

\*GASB Statement No. 68 reports ten years of information to be presented in this schedule; however, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditors' report.

**CITY OF HAWARDEN, IOWA**  
**Required Supplementary Information**  
**Schedule of Contributions**  
**Police Retirement System (PRS)**  
**Last Ten Fiscal Years as of June 30**

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Required pay-as-you-go	\$ 11,658	\$ 11,538	\$ 11,235	\$ 10,998	\$ 10,863
Actual employer contribution	(11,658)	(11,538)	(11,235)	(10,998)	(10,863)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -
	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Required pay-as-you-go	\$ 10,699	\$ 10,379	\$ 10,155	\$ 11,635	\$ 19,810
Actual employer contribution	(10,699)	(10,379)	(10,155)	(11,635)	(19,810)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -

See Notes to Required Supplementary Information – Schedules of Contributions.

**CITY OF HAWARDEN, IOWA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –  
PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2016**

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**IPERS**

**Changes of Benefit Terms:**

Legislation enacted in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

**Changes of Assumptions**

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.



**CITY OF HAWARDEN, IOWA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –  
PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2016**

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Police Retirement System (PRS)

Valuation date: July 1, 2015.

PRS is funded on the pay-as-you-go basis and makes the plan determined benefit payments as they are due. PRS is a closed system with one remaining beneficiary of a retired former employee.

## OTHER SUPPLEMENTARY INFORMATION

CITY OF HAWARDEN, IOWA  
COMBINING BALANCE SHEET  
Governmental Nonmajor Funds  
JUNE 30, 2016

	Special Revenue Funds					Capital Projects
	Road Use Tax	Employee Benefit Levy	Local Option Sales Tax	USDA Revolving Loan Fund	Revolving Loan Fund	Street Projects Fund
<b>Assets</b>						
Cash and Cash Equivalents	\$ 106,215	\$ 13,129	\$ -	\$ 43,188	\$ 269,691	\$ -
Receivables (Net, where applicable, of allowance for uncollectibles)						
Taxes	-	2,421	-	-	-	-
Subsequent Year Taxes	-	149,030	-	-	-	-
Accrued Interest	-	-	-	-	-	-
Special Assessments	-	-	-	-	-	-
Notes Receivable	-	-	-	23,616	123,416	-
Due from Other Governmental Agencies	23,695	-	52,435	-	-	-
Restricted Assets:						
Donor Restricted Investments	-	-	-	-	-	-
<b>Total Assets</b>	<b>129,910</b>	<b>164,580</b>	<b>52,435</b>	<b>66,804</b>	<b>393,107</b>	<b>-</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts Payable	-	-	52,435	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>52,435</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred Inflows of Resources</b>						
Unavailable Revenue- subsequent year taxes	-	149,030	-	-	-	-
Unavailable Revenue- delinquent property taxes	-	817	-	-	-	-
Unavailable Revenue- special assessments	-	-	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>149,847</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances (Deficits):</b>						
Nonspendable:						
Library Endowment	-	-	-	-	-	-
Restricted for:						
Road Surface Repairs	129,910	-	-	-	-	-
Employee Benefits	-	14,733	-	-	-	-
Revolving Loan Fund	-	-	-	66,804	393,107	-
Low-Moderate Income Project	-	-	-	-	-	-
Library Endowment	-	-	-	-	-	-
Assigned for:						
Capital Improvement	-	-	-	-	-	-
Mapping	-	-	-	-	-	-
Capital Improvement and Facilities	-	-	-	-	-	-
<b>Total Fund Balances</b>	<b>129,910</b>	<b>14,733</b>	<b>-</b>	<b>66,804</b>	<b>393,107</b>	<b>-</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)</b>	<b>\$ 129,910</b>	<b>\$ 164,580</b>	<b>\$ 52,435</b>	<b>\$ 66,804</b>	<b>\$ 393,107</b>	<b>\$ -</b>

Capital Projects							Permanent Fund	Total
Capital Improve-ment	Walking Trail Project	Street Special Assessments	Public Works Building Replacement	Capital Facilities Fund	Mapping	Low-Mod Income Project	Marie Gregg/ Vipond Trust	Governmental Nonmajor Funds
\$ -	\$ 14,167	\$ 59,934	\$ 321,594	\$ 66,640	\$ 2,960	\$ 5,157	\$ 31,750	\$ 934,425
-	-	-	-	-	-	-	-	2,421
-	-	-	-	-	-	-	-	149,030
-	-	-	-	-	-	-	198	198
-	-	317,118	-	-	-	-	-	317,118
-	-	-	-	-	-	-	-	147,032
-	-	-	-	-	-	-	-	76,130
-	-	-	-	-	-	-	134,816	134,816
-	14,167	377,052	321,594	66,640	2,960	5,157	166,764	1,761,170
-	-	-	-	-	-	-	-	52,435
-	-	-	-	-	-	-	-	52,435
-	-	-	-	-	-	-	-	149,030
-	-	-	-	-	-	-	-	817
-	-	317,118	-	-	-	-	-	317,118
-	-	317,118	-	-	-	-	-	466,965
-	-	-	-	-	-	-	134,945	134,945
-	-	-	-	-	-	-	-	129,910
-	-	-	-	-	-	-	-	14,733
-	-	-	-	-	-	-	-	459,911
-	-	-	-	-	-	5,157	-	5,157
-	-	-	-	-	-	-	31,819	31,819
-	-	59,934	-	-	-	-	-	59,934
-	-	-	-	-	2,960	-	-	2,960
-	14,167	-	321,594	66,640	-	-	-	402,401
-	14,167	59,934	321,594	66,640	2,960	5,157	166,764	1,241,770
\$ -	\$ 14,167	\$ 377,052	\$ 321,594	\$ 66,640	\$ 2,960	\$ 5,157	\$ 166,764	\$ 1,761,170

**CITY OF HAWARDEN, IOWA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Nonmajor Funds**  
**JUNE 30, 2016**

	Special Revenue Funds					Capital Projects
	Road Use Tax	Employee Benefit Levy	Local Option Sales Tax	USDA Revolving Loan Fund	Revolving Loan Fund	Street Projects Fund
Revenue:						
Taxes	\$ -	\$ 128,687	\$ -	\$ -	\$ -	\$ -
Special Assessments	-	-	-	-	-	-
Intergovernmental Revenue	312,148	6,098	321,722	-	-	-
Contributions	-	-	-	-	-	-
Interest	-	-	-	980	2,543	45
Total Revenue	312,148	134,785	321,722	980	2,543	45
Expenditures:						
Public Safety	-	12,205	-	-	-	-
Public Works	32,000	-	-	-	-	-
Health and Social Services	-	-	321,722	-	-	-
Culture and Recreation	-	-	-	-	-	-
Total Expenditures	32,000	12,205	321,722	-	-	-
Excess (deficiency) of revenues over expenditures	280,148	122,580	-	980	2,543	45
Other financing sources (uses):						
Transfers In	-	-	-	-	-	103,750
Transfers Out	(217,500)	(123,392)	-	-	-	(75,656)
Total other financing sources (uses)	(217,500)	(123,392)	-	-	-	28,094
Net Change in Fund Balance	62,648	(812)	-	980	2,543	28,139
Fund balances - beginning of year	67,262	15,545	-	65,824	390,564	(28,139)
Fund balances (Deficits) - end of year	\$ 129,910	\$ 14,733	\$ -	\$ 66,804	\$ 393,107	\$ -

Capital Projects							Permanent Fund	Total
Capital Improvement	Walking Trail Project	Street Special Assessments	Public Works Building Replacement	Capital Facilities Fund	Mapping	Low-Mod Income Project	Marie Gregg/Vipond Trust	Governmental Nonmajor Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,687
-	-	7,628	-	-	-	-	-	7,628
-	-	-	-	-	-	-	-	639,968
-	-	-	-	-	-	10,332	7,069	17,401
5	36	1,280	1,360	284	2	27	1,364	7,926
5	36	8,908	1,360	284	2	10,359	8,433	801,610
-	-	-	-	-	-	-	-	12,205
-	-	-	-	-	1,200	6,006	-	39,206
-	-	-	-	-	-	-	-	321,722
-	-	-	-	-	-	-	8,073	8,073
-	-	-	-	-	1,200	6,006	8,073	361,206
5	36	8,908	1,360	284	(1,198)	4,353	360	420,404
-	-	-	34,000	5,250	-	-	-	143,000
(8,079)	-	(22,500)	-	-	-	-	-	(447,127)
(8,079)	-	(22,500)	34,000	5,250	-	-	-	(304,127)
(8,074)	36	(13,592)	35,360	5,534	(1,198)	4,353	360	116,277
8,074	14,131	73,526	286,234	61,106	4,158	804	166,404	1,125,493
\$ -	\$ 14,167	\$ 59,934	\$ 321,594	\$ 66,640	\$ 2,960	\$ 5,157	\$ 166,764	\$ 1,241,770

**CITY OF HAWARDEN, IOWA**  
**COMBINING STATEMENT OF NET POSITION**  
**Fiduciary Funds**  
**JUNE 30, 2016**

	<b>Agency Funds</b>			
	Payroll Clearing	Flex Spending	Community Projects	<b>Total</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 86,241	\$ 7,354	\$ 10,325	\$ 103,920
<b>Total Assets</b>	<u>86,241</u>	<u>7,354</u>	<u>10,325</u>	<u>103,920</u>
<b>LIABILITIES</b>				
Due to Other Governments	86,241	7,354	10,325	103,920
<b>Total Liabilities</b>	<u>\$ 86,241</u>	<u>\$ 7,354</u>	<u>\$ 10,325</u>	<u>\$ 103,920</u>

**CITY OF HAWARDEN, IOWA**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2016**

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<b><u>PAYROLL CLEARING</u></b>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 9,290	\$ 1,901,545	\$ 1,824,594	\$ 86,241
Total Assets	9,290	1,901,545	1,824,594	86,241
<u>Liabilities</u>				
Due to Other Governments	9,290	1,901,545	1,824,594	86,241
Total Liabilities	9,290	1,901,545	1,824,594	86,241
<b><u>FLEX SPENDING</u></b>				
<u>Assets</u>				
Cash and Cash Equivalents	5,074	24,451	22,171	7,354
Total Assets	5,074	24,451	22,171	7,354
<u>Liabilities</u>				
Due to Other Governments	5,074	24,451	22,171	7,354
Total Liabilities	5,074	24,451	22,171	7,354
<b><u>COMMUNITY PROJECTS FUND</u></b>				
<u>Assets</u>				
Cash and Cash Equivalents	8,833	86,109	84,617	10,325
Total Assets	8,833	86,109	84,617	10,325
<u>Liabilities</u>				
Due to Other Governments	8,833	86,109	84,617	10,325
Total Liabilities	8,833	86,109	84,617	10,325
<b><u>ALL AGENCY FUNDS TOTAL</u></b>				
<u>Assets</u>				
Cash and Cash Equivalents	23,197	2,012,105	1,931,382	103,920
Total Assets	23,197	2,012,105	1,931,382	103,920
<u>Liabilities</u>				
Due to Other Governments	23,197	2,012,105	1,931,382	103,920
Total Liabilities	\$ 23,197	\$ 2,012,105	\$ 1,931,382	\$ 103,920



**CITY OF HAWARDEN**  
**Schedule of Findings**  
**For the Year Ended June 30, 2016**

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**Part I: Summary of the Independent Auditor's Results**

- (a) An unmodified opinion was issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**Part II: Findings Related to the Financial Statements**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.  
There were no prior year audit findings.

**INTERNAL CONTROL MATERIAL WEAKNESS:**

**2016-001      Financial Reporting – Material Adjusting Journal Entries**

Condition and Criteria – The auditors were required to propose and have management post adjusting entries to the fund financial statements in order for the financial statements to conform with U.S. generally accepted accounting principles. Management is responsible for the preparation of financial statements in accordance with U.S. generally accepted accounting principles (GAAP).

Effect – The financial statements provided by management are not presented entirely in accordance with U.S. generally accepted accounting principles.

Cause – With a limited number of personnel and current staff workload, the time constraints and staff expertise do not allow for all required year end U.S. GAAP adjusting journal entries to be posted.

Recommendation – We recommend that the City train additional staff on U.S. GAAP and government accounting standards to help reduce the amount of adjusting journal entries and increase their knowledge of the required reporting standards.

Views of Responsible Officials – City management feels that hiring additional personnel to implement the additional U.S. GAAP adjusting journal entries would not be cost effective. However, management has and will continue to monitor this process on a regular basis.

**CITY OF HAWARDEN**  
**Schedule of Findings**  
**For the Year Ended June 30, 2016**

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**Part III: Other Findings Related to Required Statutory Reporting**

**III-A-16 Certified Budget**

Condition and Criteria – City expenditures during the year ended June 30, 2016, exceeded amounts budgeted in the Debt Service function.

Effect – The City is not in compliance with Chapter 384.18 of the Code of Iowa.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Views of Responsible Officials – The budget will be amended in the future, if applicable.

**III-B-16 Questionable Expenses** – We noted no expenditures that we believe may constitute unlawful expenditures from public funds as defined in an Attorney General's opinion dated April 25, 1979.

**III-C-16 Travel Expenses** – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

**III-D-16 Business Transactions** – No business transactions between the City and City officials and/or employees were noted.

**III-E-16 Bond Coverage** – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

**III-F-16 Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.

**III-G-16 Revenue Bonds** – No violations of revenue bond resolutions were noted.

**III-H-16 Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

**III-I-16 Telecommunication Services** – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the City Council  
City of Hawarden, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hawarden, Iowa, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Hawarden, Iowa's basic financial statements and have issued our report thereon dated March 10, 2017. Our report includes a reference to other auditors who audited the financial statements of Hawarden Regional Healthcare, as described in our report on the City of Hawarden's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Hawarden, Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hawarden, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Hawarden, Iowa's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings, that we consider to be a material weakness, described as item 2016-001

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Hawarden, Iowa's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Hawarden, Iowa's Response to Findings**

The City of Hawarden, Iowa's response to the findings identified in our audit is described in the accompanying schedule of findings. The City of Hawarden, Iowa's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Williams & Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
March 10, 2017